

CALIFORNIA

Employer's Guide 2002

What are the Payroll Tax Rates for 2002?

Unemployment Insurance (UI)

The UI taxable wage limit for 2002 is \$7,000 per employee, per year. The maximum weekly benefit award is \$330. Please refer to [page 46](#) for additional information.

Employment Training Tax (ETT)

The 2002 ETT rate is 0.1 percent (.001) of the first \$7,000 of each employee's wages. Please refer to [page 65](#) for additional information.

State Disability Insurance (SDI)

The SDI tax rate for 2002 was not available at the time this guide was published. Please call EDD's 24-hour Automated Call System at (916) 653-7795 or access our website at www.edd.ca.gov/taxrte9x.htm for the SDI tax rate.

California Personal Income Tax (PIT) Withholding

The California PIT withholding deposit threshold is \$400. Please refer to [page 87](#) for the California PIT withholding tables.

Note: The UI, ETT, and SDI rate information is available on EDD's 24-hour automated call system by calling (916) 653-7795.

What's New in 2002?

Internet Filing Available

The EDD is expanding its Internet filing capability in 2002 to allow all employers to file their quarterly wage and withholding (DE 6), new employee (DE 34), and independent contractor (DE 542) information over the Internet. For current status of Internet filing capability, please visit our Web site at www.edd.ca.gov, or check the latest *California Employer* quarterly newsletter.

Senate Bill 40 (SB 40)

Pursuant to SB 40, beginning January 1, 2002, the maximum weekly unemployment insurance benefit award will increase from \$230 to \$330.

Important Information

Payroll Tax Deposit (DE 88) Coupon

Preprinted DE 88 coupons are barcoded to identify the EDD employer account that should be credited for the payroll tax payment. Using another employer's preprinted DE 88 (original or copy) to send your payroll tax payments will result in your payments being applied to the other employer's account. See [page 38](#) for the methods to obtain blank DE 88s.

Workers' Compensation Insurance Requirement

If you have employees, you are required by law to have workers' compensation insurance coverage. Please refer to [page 58](#) for additional information.

Value of Meals and Lodging

The taxable value of meals and lodging can be found in the fourth quarter *California Employer* newsletter. You can also find this information on EDD's Internet site at www.edd.ca.gov/taxrte9x.htm#meals.

Wage and Tax Statements (Forms W-2) or Forms 1099

You must provide federal Forms W-2 and W-2C to your employees and Forms 1099 to the independent contractors who work for you. However, please **do not** send Forms W-2, W-2C, and 1099 to EDD.

On the Internet: www.edd.ca.gov.



Dear California Employer:

I am pleased to announce that the Employment Development Department (EDD) is expanding our Internet reporting system to make it more convenient for you to fulfill your California payroll tax reporting requirements.

Currently, we offer employers of household workers the option of filing their most commonly used payroll tax forms over the Internet. Over the next few months, we will expand our Internet reporting system to make this convenient filing method available to all employers.

Via the Internet, you will be able to file your quarterly wage and withholding information (the DE 6 form), your new employee (the DE 34 form) and your independent contractor information (the DE 542 form).

For complete details on Internet filing and its current availability, please visit our Web site at **www.edd.ca.gov**. Whether you use this new filing method or our current Telefile or Magnetic Media services, we want you to select the reporting option that best meets your individual needs.

To make it easier to get answers to your questions, we have continued to expand the information available on our Web site, or you can call our Employment Tax Customer Service Representatives toll-free at (888) 745-3886 for direct personal assistance.

Please remember that in addition to payroll tax services, EDD offers a variety of other quality services for employers, including job referrals and training, labor market information, and disability insurance options.

We thank you for choosing to do business in California.

Sincerely,

A handwritten signature in black ink that reads "Michael Bernick". The signature is fluid and cursive.

MICHAEL S. BERNICK
Director
Employment Development Department

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EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Employment Tax Call Center

Call Center staff are available to assist you Monday through Friday from 7 a.m. to 6 p.m., Pacific time (PT). When you call, an automated interactive voice response system will provide a menu of services. The Call Center is closed on State holidays. Call the Employment Tax Call Center to order forms and publications and receive information regarding tax rates, filing payroll tax forms, and payroll tax seminars.

You can reach the Call Center toll-free at (888) 745-3886, from anywhere in the U.S. and Canada.

For TTY (nonverbal) access, call (800) 547-9565.

Employment Tax Offices (ETOs)

Visit your local ETO for information and advice on your payroll tax responsibilities (Unemployment Insurance, Employment Training Tax, State Disability Insurance, and California Personal Income Tax withholding). We can also assist you with forms and filing reports. In addition, we offer payroll tax seminars to help you understand your rights and responsibilities as an employer. All EDD offices are closed on State holidays.

Outside the U.S. or Canada call (916) 464-3502

The EDD and Franchise Tax Board offer in-person one-stop tax service at the following Taxpayer Service Center locations:

Bakersfield*	1800 30 th Street, Suite 390, 93301
Long Beach	4300 Long Beach Boulevard, Suite 700A, 90807
Sacramento*	3321 Power Inn Road, Suite 220, 95826
San Bernardino	464 West Fourth Street, Suite 454A, 92401
Stockton*	31 East Channel Street, Room 219A, 95202
Ventura*	4820 McGrath Street, Suite 250, 93003

*The State Board of Equalization is also available at this center.

The EDD also provides in-person employment tax service at the following ETOs:

Chico	240 West 7 th Street, 95928
Escondido	240 West 2nd Avenue, 92025
Eureka	409 "K" Street, Suite 202, 95501
Fresno	1050 "O" Street, 93721
Laguna Hills	23151 Plaza Pointe Drive, Suite 140, 92653
Los Angeles	4021 Rosewood Avenue, Suite 301, 90004
Modesto	3340 Tully Road, Suite E-10, 95350-0851
Monterey	1900 Garden Road, Suite 160, 93940
Oakland	7700 Edgewater Drive, Suite 100, 94621
Orange	1855 West Katella Avenue, Suite 100, 92867
Pleasant Hill	3478 Buskirk Avenue, Suite 215, 94523
San Diego	3110 Camino Del Rio South, Suite 100, 92108
San Francisco	745 Franklin Street, Suite 400, 94102
San Jose	906 Ruff Drive, 95110
San Mateo	951 Mariners Island Boulevard, Suite 310, 94404
Santa Fe Springs	10330 Pioneer Boulevard, Suite 150, 90670
San Luis Obispo	3196 South Higuera Street, Suite C, 93401-3196
Santa Monica	914 Broadway, 90401
Santa Rosa	50 "D" Street, Room 415, 95404
Van Nuys	6150 Van Nuys Boulevard, Room 210, 91401

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

At the following Employment Tax Offices, customers will find self-service racks with tax forms, a mail drop, and a free direct-line telephone to the Employment Tax Call Center:

Capitola	2045 40th Avenue, Suite A, 95010
El Centro	1550 West Main Street, 92243
Marysville	1114 Yuba Street, 95901
Redding	1325 Pine Street, 96001
Riverside	1180 Palmyrita Avenue, Suite B, 92507
Vallejo	125 Corporate Place, 94590
Visalia	5429 Avenida de Los Robles, Suite A, 93291

For TTY (nonverbal) access, call (800) 547-9565.

EDD Internet Address

www.edd.ca.gov

Employment Training Panel Offices

North Hollywood (818) 755-1313
Sacramento (916) 327-5640
San Diego (619) 686-1920
San Mateo (650) 655-6930

www.etp.ca.gov

Job Service

To find the nearest Job Service Office, check the government listing in your local telephone book under "Employment Development Department, Job Service Information" or the Community Services section under "Employment." A directory of offices can also be found on EDD's Internet site at www.edd.ca.gov/jsloc.htm.

State Disability Insurance (SDI)

For SDI customer service, call toll-free at (800) 480-3287. Employers may press "0" at the menu of services to connect with a disability insurance representative. For TTY access, call SDI at (800) 563-2441. The SDI information can also be found on EDD's Internet site at www.edd.ca.gov/diind.htm.

Unemployment Insurance (UI)

Customer service for UI is available through the toll-free telephone numbers listed below. When you call, an automated system will provide a menu of services. Employers should press "3" for the employer menu that provides UI and Job Service information.

English..... (800) 300-5616
Spanish (800) 326-8937
Chinese (800) 547-3506
Vietnamese (800) 547-2058
TTY (nonverbal) (800) 815-9387
Outside of California..... (800) 250-3913

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic

If you have any questions regarding the following topics, please contact the designated agency or office using the address, telephone number, or Internet address provided:

Topic	Description	Contact
California Career and Training Information System (CaCTIS)*	The CaCTIS provides employers easy access to occupational information and training possibilities to enhance the skills of their employees.	Employment Development Department Labor Market Information Division Telephone: (916) 262-2162 www.cactis.ca.gov
California Personal Income Tax (PIT) Withholding	To request the California PIT withholding tables or for information on whether payments are subject to California PIT withholding.	Employment Development Department Employment Tax Call Center Telephone: (888) 745-3886 www.edd.ca.gov
	Information on programming your computer or acceptable computer software programs to calculate California PIT withholding. Note: When you call FTB's assistance number, please request to speak to their Statistical Research Bureau so they can provide the appropriate assistance.	Franchise Tax Board Statistical Research Bureau MS B26 P.O. Box 1468 Sacramento, CA 95812 Fast Answers about State Taxes (F.A.S.T.): (800) 338-0505 (recordings) Assistance: (800) 852-5711 (operator) Hearing-impaired: (800) 822-6268 (TTY) www.ftb.ca.gov
CalJOBS SM *	CalJOBS SM is an Internet-based job opening and resume listing system that increases public access to employment services. Employers may call their local EDD Job Service site for assistance in entering job openings or selecting job seekers.	Employment Development Department Job Service Division, MIC 37 P.O. Box 826880 Sacramento, CA 94280 CalJOBS SM assistance: (800) 758-0398 8 a.m. to 5 p.m. Pacific time (PT) Monday through Friday www.caljobs.ca.gov
Electronic Tax Filing Options - Electronic Data Interchange (EDI)*	Through EDI, you can file your <i>Quarterly Wage and Withholding Report</i> (DE 6) electronically. See page 35 for additional information.	Employment Development Department EDI Unit, MIC 96 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 255-1649 Fax: (916) 255-0629 E-mail: ecom@edd.ca.gov

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic
(table cont.)

Topic	Description	Contact
- Electronic Funds Transfer (EFT)*	The EFT is a convenient method for employers to electronically transfer tax deposits to EDD. See page 34 for additional information.	Employment Development Department EFT Unit, MIC 15 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-9130 Fax: (916) 654-7441
- Household Employer Internet Reporting (HEIR)*	The HEIR is a convenient method for household employers to file and pay their payroll taxes over the Internet.	Employment Development Department EFT Unit, MIC 15 P.O. Box 826880 Sacramento, CA 94280 Telephone: (800) 796-3524 E-mail: ecom@edd.ca.gov
- Magnetic media*	Magnetic media is a convenient method for employers to report quarterly wages, withholdings, independent contractor (IC), and/or New Employee Registry (NER) information. See page 36 for additional information.	Employment Development Department Magnetic Media Coordinator, MIC 15 P.O. Box 826880 Sacramento, CA 94280 Telephone Quarterly Wage Report: (916) 654-6845 IC/NER: (916) 651-6945
- Tax Telefile*	Tax Telefile is a voluntary program for household employers and other employers with a small number of employees to report and pay payroll taxes by telephone. Employers can file reports 24 hours a day, 7 days a week. See page 35 for additional information.	Employment Development Department Telefile Unit, MIC 96 P.O. Box 826880 Sacramento, CA 94280 Telefile Customer Service: (800) 796-3524 Telefile System Access Number: (800) 796-9330 E-mail: ecom@edd.ca.gov
Economic Development*	The EDD's Labor Market Information Division offers data on occupational wages and outlook, employment by industry, and State and local labor market.	Employment Development Department Labor Market Information Division Telephone: (916) 262-2162 www.lmi4ed.ca.gov
Employee eligibility to work*	Under federal law ¹ , employers are required to verify that every individual (citizen, national, or alien) whom they hire has the right to work in the U.S. The U.S. Immigration and Naturalization Service (INS) requires you to complete an <i>Employment Eligibility Verification</i> (Form I-9) for each person hired to verify employment eligibility.	U.S. Immigration and Naturalization Service (refer to the U.S. government listings in your local telephone book under "Immigration and Naturalization Service)." Request a copy of the <i>Handbook for Employers: Instructions for Completing Form I-9 (M-274)</i> . www.ins.usdoj.gov

¹ Immigration Reform and Control Act of 1986.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic

(table cont.)

Topic	Description	Contact
Employer requirements (also refer to "Schedule of Employer Requirements" on page 17)	The Employment Tax Call Center can answer your payroll tax questions (e.g., employee and independent contractor status, employer registration, Independent Contractor Reporting, and New Employee Registry (NER) reporting).	Employment Development Department Employment Tax Call Center Telephone: (888) 745-3886 www.edd.ca.gov/taxind.htm
Employer rights during the employment tax assessment and collection process	Employer rights are protected by the Problem Resolution Office (PRO) during the employment tax assessment and collection process. The assistance of this office may be requested after first attempting to resolve an issue with an EDD representative, supervisor, and office manager.	Employment Development Department PRO, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8957 Fax: (916) 654-6969 www.edd.ca.gov/taxetpro.htm
Employment Development Department (EDD) Internet site	Provides a variety of information on EDD's programs and services, forms and publications, and links to other government sites.	Employment Development Department www.edd.ca.gov
Employment tax rates and UI benefit charges*	<i>A Notice of Contribution Rates and Statement of UI Reserve Account</i> (DE 2088) is mailed annually by December 31 to notify employers of their UI, ETT, and SDI tax rates. Note: You have the right to protest the UI tax rate listed on the DE 2088. The ETT and SDI tax rates are set by the Legislature and cannot be protested.	Employment Development Department Contribution Rate Group, MIC 4 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-7795 (24-hour automated telephone system)
Employment Training Panel*	A program that provides funds to train and retain workers in targeted industries. Includes retraining current employees, training new hires, Special Employment Training, Welfare-to-Work, and training for workers in high unemployment areas.	Employment Training Panel Offices are located in North Hollywood, Sacramento, San Diego, and San Mateo. Please refer to the directory on page 2. www.etp.ca.gov

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic
(table cont.)

Topic	Description	Contact
Federal tax requirements*	For federal employment tax and personal income tax requirements, contact the Internal Revenue Service (IRS) nearest you. <i>Federal Employer's Tax Guide</i> (Publication 15, Circular E) and <i>Employer's Supplemental Tax Guide</i> (Publication 15-A) are available from IRS.	Internal Revenue Service Telephone: (800) 424-1040 www.irs.gov
Forms		
- Alternate tax forms*	The requirements and approval for using alternate forms to file your payroll tax reports can be obtained by contacting the Alternate Forms Coordinator.	Employment Development Department Alternate Forms Coordinator Telephone: (916) 255-0649
- Tax forms and publications	Tax forms and publications are available through ETOs, Fax-on-Demand, Internet, or use the order form on page 127.	Employment Development Department Less than 25 copies: (888) 745-3886 25 copies or more: (916) 322-2835 Fax-on-Demand: (877) 547-4503 www.edd.ca.gov/taxform.htm
Federal Unemployment Tax Act (FUTA) certification*	Provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. See page 14 for additional information.	Employment Development Department FUTA Certification Unit Telephone: (916) 654-8545
Job referral and recruitment services*	All questions regarding EDD Job Services for Workforce Investment Act services.	Employment Development Department Job Service or One-Stop Center local site nearest you (refer to the government listing in your local telephone book) Employers: www.edd.ca.gov/employer.htm One-Stops: www.edd.ca.gov/emptran.htm Job Seekers: www.edd.ca.gov/findjob.htm

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic
(table cont.)

Topic	Description	Contact
Labor law requirements*	All questions regarding labor law requirements, such as overtime and workers' compensation requirements.	Department of Industrial Relations (refer to the government listing in your local telephone book) www.dir.ca.gov
Labor Market Information*	California's labor market information can help you with your important business decisions. Includes occupational employment and wage data, industry employment, labor force, and selected population characteristics.	Employment Development Department Labor Market Information Division Telephone: (916) 262-2162 www.calmis.ca.gov
Payroll tax seminars	Seminar topics include reporting requirements, how to complete payroll tax forms, and independent contractor and employee issues.	Employment Development Department Employment Tax Call Center Telephone: (888) 745-3886 Register on-line at www.edd.ca.gov/taxsem
Problem resolution (tax)*	If you are unable to resolve an employment tax problem with an EDD representative, supervisor, and office manager, you can contact the Problem Resolution Office (PRO) for assistance.	Employment Development Department PRO, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8957 Fax: (916) 654-6969 www.edd.ca.gov/taxetpro.htm
Reimbursable method of paying UI benefits*	Public employers and certain nonprofit organizations have the option of becoming "reimbursable" employers. Employers using this method to pay UI benefits are required to reimburse the UI fund on a dollar-for-dollar basis for all UI benefits paid to their former employees.	Employment Development Department Reimbursable Accounting Group, MIC 19 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-5846
School Employees Fund (SEF)*	School employers may elect to participate in the SEF (UI Program) to finance UI benefits.	Employment Development Department School Employees Fund, MIC 13 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-5380 www.edd.ca.gov/txsefind.htm

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic
(table cont.)

Topic	Description	Contact
Standard Industrial Classification (SIC) Code and North American Industry Classification System (NAICS)*	The EDD assigns a four- and six-digit code to all registered employers to designate their business activity in California. (The SIC and NAICS codes are not the same as the Manufacturer's Code assigned by the Franchise Tax Board.)	Employment Development Department Labor Market Information Division Coding Unit, MIC 57 P.O. Box 1881 Sacramento, CA 95812 Fax: (916) 262-2350 www.calmis.ca.gov
State Disability Insurance (SDI) benefits*	The SDI benefits provide temporary income to California workers who are unable to work because of pregnancy or a nonjob-related illness or injury.	Employment Development Department State Disability Insurance Office Telephone: (800) 480-3287 www.edd.ca.gov/diinfo.htm
Tax debt – California payroll taxes - Offers in Compromise*	Offers in Compromise enable a qualified tax debtor to eliminate an employment tax liability at less than full value.	Employment Development Department Offers in Compromise Telephone: (916) 464-2726
- Settlements Program*	This program provides employers and the State an opportunity to avoid the cost of prolonged litigation associated with resolving disputed employment tax issues.	Employment Development Department Settlements Office, MIC 93 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 653-9130 or (916) 654-7162 Fax: (916) 653-7986
Tax information - Call Center	For general tax information, call our toll-free number.	Employment Development Department Employment Tax Call Center Telephone: (888) 745-3886
- E-Z Access Information Topics and Fax-on-Demand	Prerecorded messages covering more than 50 topics and tax forms and publications by fax are available 24 hours a day by calling our toll-free telephone number.	Employment Development Department Telephone: (877) 547-4503

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Information and Assistance by Topic
(table cont.)

Topic	Description	Contact
Tele-Reg*	Register by telephone and receive your EDD employer account number over the phone.	Employment Development Department Account Services Group, MIC 28 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-8706 Fax: (916) 654-9211
Underground Economy*	Investigates businesses that are paying workers undocumented cash payments, or not complying with labor and licensing laws.	Employment Development Department Underground Economy Operations Hotline: (800) 528-1783
Unemployment Insurance (UI) benefits*	The UI benefits provide temporary income to unemployed workers who meet the UI eligibility requirements.	Employment Development Department Unemployment Insurance Office (refer to the list of telephone numbers on page 2). www.edd.ca.gov/uiloc.htm
Welfare-to-Work Grant Initiative*	A program to create job opportunities for the hardest-to-employ welfare recipients. This program is operated by Workforce Investment Boards in conjunction with local welfare departments, educational institutions, economic development, and community-based organizations.	Employment Development Department Project Development and Management Division, MIC 50 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-7799 www.edd.ca.gov/wtowind.htm
Workers' Compensation Insurance*	If you have employees, you are required by law to have workers' compensation insurance coverage. Failure to do so is a crime and may result in penalties and closure of your business.	Your insurance agent, or State Compensation Insurance Fund Telephone: (800) 892-6000 www.scif.com For additional information: Department of Industrial Relations (refer to the government listings in your local telephone book). www.dir.ca.gov
Workforce Investment Act*	A program to increase the employment, retention, and earnings of participants and to enhance the productivity and competitiveness of California's economy.	Employment Development Department Workforce Investment Division, MIC 69 P.O. Box 826880 Sacramento, CA 94280 Telephone: (916) 654-7111 www.edd.ca.gov/wiaind.htm

* Please **DO NOT** contact the Employment Tax Call Center.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD) OFFICE DIRECTORY

Easy Access to Payroll Tax Help and Forms



There are many convenient ways to obtain payroll tax forms and assistance from EDD.

Internet

Access EDD's Internet site to:

- Download forms, instructions, and publications at www.edd.ca.gov/taxform.htm.
- Order forms, instructions, and publications at www.edd.ca.gov/taxordn2.htm.
- See answers to "Frequently Asked Questions" at www.edd.ca.gov/taxfaq.htm.
- Obtain information on payroll tax seminars at www.edd.ca.gov/taxsem.
- See tax information and EDD services at www.edd.ca.gov/taxind.htm.

Send comments or questions to EDD on-line at www.edd.ca.gov/eddmail.htm (select "Payroll Tax").



Fax-on-Demand

We have a variety of tax forms, publications, and information sheets available through our Fax-on-Demand toll-free telephone number at (877) 547-4503. This service is available to customers calling within the U.S. and Canada. When you call from a touch-tone telephone, you will hear instructions on how to obtain forms and information.

- This service is available 24 hours a day, 7 days a week.
- It delivers many tax forms, publications, and information sheets to your fax machine.
- You can also listen to E-Z Access Information Topics, prerecorded messages on a number of tax topics, or you may have the information in the messages faxed to you.
- Scannable filing forms like the *Quarterly Wage and Withholding Report* (DE 6) and *Annual Reconciliation Statement* (DE 7) are not available by fax because they are printed in a special "machine readable" format. See the mail and telephone instructions below to order scannable forms.

This system is not designed to receive faxes, so please **do not** attempt to fax anything to the Fax-on-Demand number.

To order a complete catalog, listing the various tax forms, publications, information sheets, and E-Z Access Information Topics, please order document number 1001 when prompted by the system.



Mail

You can order forms and publications by completing and mailing the order form on page 127. You will receive your order within 14 days.



Telephone

You can request forms, publications, and information 24 hours a day, 7 days a week, by telephone as follows:

- Forms, instructions, and publications:
 - Less than 25 copies – Call our Employment Tax Call Center at (888) 745-3886 (allow 5 working days).
 - 25 or more copies – Call our EDD Warehouse at (916) 322-2835 (allow 10 working days).
- E-Z Access Information Topics – Call (877) 547-4503 for prerecorded messages covering payroll tax topics.
- Telephone assistance – Call (888) 745-3886 to speak to a representative. Staff are available from 7:30 a.m. to 5:30 p.m. Pacific Time (PT) to answer your questions. During the last two weeks of filing months (January, April, July, October), staff are available from 7 a.m. to 6 p.m. (PT).



Walk-in

You can pick up forms, instructions, and publications at ETOs (listed on page 1).

* Please **DO NOT** contact the Employment Tax Call Center.

GENERAL INFORMATION

Introduction

The Employment Development Department (EDD) is California's designated employment services agency. The EDD's major responsibilities are to:

- Assist California's employers in meeting their labor needs
- Help California's job seekers in obtaining gainful employment
- Serve as the State's administrator for employment training
- Assist disadvantaged persons in becoming self-sufficient
- Administer the Unemployment Insurance (UI) and State Disability Insurance (SDI) benefit programs
- Support State activities and benefit programs by collecting and administering payroll taxes
- Help identify parents who are delinquent in their child support obligations

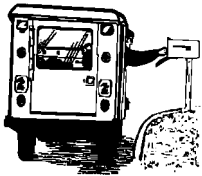
To simplify reporting requirements, California follows federal guidelines whenever possible. However, California authority and computation formulas may differ from federal authority and rates. By administering these programs, EDD administers payroll tax reporting laws according to the California Unemployment Insurance Code (CUIC).

We strive to make this guide easy for you to read and understand. It provides general information that applies to most employers and refers to other publications with more detailed information that may be requested as needed. Information is available on our Internet site at www.edd.ca.gov or by calling our Employment Tax Call Center at (888) 745-3886.

We appreciate receiving your ideas on how we can improve this publication. Please send your comments and suggestions to:

**Employment Development Department
Outreach and Education Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280**

**Fax: (916) 654-6969
E-mail: taxcomm@edd.ca.gov**

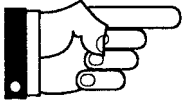


Forms and Publications

For your convenience in ordering EDD forms, information sheets, brochures, and/or guides, an order form is provided on pages 127 and 129. Many of these items may also be requested by calling the Employment Tax Call Center at (888) 745-3886, by accessing Fax-on-Demand at (877) 547-4503, or by accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

Lost Forms - What To Do

If forms are lost or damaged, you can go to your nearest ETO (refer to listing on page 1), request a replacement form by calling (888) 745-3886, or use the tax forms available by accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.



Note: If reporting forms cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges. An informal *Payroll Tax Deposit* (DE 88), *Quarterly Contribution Return* (DE 3D), *Quarterly Wage and Withholding Report* (DE 6), or *Annual Reconciliation Statement* (DE 7) should include the following information:

**Lost Forms -
What To Do
(cont.)**

<i>Payroll Tax Deposit (DE 88)</i>	<i>Quarterly Contribution Return (DE 3D)</i>	<i>Quarterly Wage and Withholding Report (DE 6)</i>	<i>Annual Reconciliation Statement (DE 7)</i>
Owner Name	Owner Name	Owner Name	Owner Name
EDD Employer Account Number	EDD Employer Account Number	EDD Employer Account Number	EDD Employer Account Number
Business Name	Business Name	Business Name	Business Name
Business Address	Business Address	Business Address	Business Address
Payroll Date	Payroll Quarter	Payroll Quarter	Payroll Year
UI tax (if end of quarter payment)	Total UI tax for quarter	Employee Social Security number	Total UI tax for 2002
ETT (if end of quarter payment)	Total ETT for quarter	Employee full name (Jane D Jones)	Total ETT for 2002
SDI withheld	Total SDI withheld for quarter	Individual employee subject wages	Total SDI Withheld for 2002
PIT withheld	Total subject wages for quarter	Individual employee PIT wages	Total subject wages for 2002
Payment date (quarter and year that wages were paid)	Total SDI taxable wages for quarter: • Voluntary Plan • State Plan	Individual employee PIT withheld	Total UI/ETT taxable wages for 2002
Payment type (Next Banking Day, Semi-Weekly, Monthly, or Quarterly)	Total PIT withheld for quarter	Subtotals per page (Informal reports should not contain more than 50 line items. Total report should not exceed 250 line items.)	Total SDI taxable wages for 2002
		Grand totals	Total PIT withheld for 2002

Sign the informal report or return and mail the form and any payment due to:

**Employment Development Department
P.O. Box 826847
Sacramento, CA 94247**

If you have questions, contact our Employment Tax Call Center at (888) 745-3886.

**Employer Not at
Fault (Hold
Harmless
Provision)**

If it can be substantiated that incorrect instructions were given to an employer by EDD staff, the Department's current policy is to not penalize the employer for failure to comply with the law. If management in the office you have been working with cannot resolve your questions, please call the Problem Resolution Office for further assistance at (916) 654-8957.

Internet

General information about EDD's many programs is also available to you on the Internet at www.edd.ca.gov. The following is currently available:

- Employer registration information and forms
- Tax and UI forms and publications
- Tax filing information
- Tax Forum
- New statutes and regulations (for example, Independent Contractor Reporting)

GENERAL INFORMATION

Internet (cont.)

- *Benefit Determination Guide* for UI eligibility
- UI and SDI eligibility information
- Questions and answers for each program (UI, ETT, SDI, and PIT)
- Office locations
- Statistical information on California's labor force
- Census data
- Payroll tax seminars
- Recruitment and referral services for employers
- CalJOBSsm job openings and resume listings

Tax Forum on the Internet

The "Tax Forum" is sponsored by our Outreach and Education Office. The "Tax Forum" provides an opportunity for employers to share their ideas and concerns about forms, publications, and customer service issues with EDD through the Internet 24 hours a day. You can find the "Tax Forum" by selecting "For Employers" on the EDD Internet site at **www.edd.ca.gov**.

Payroll Tax Seminars

We offer State payroll tax seminars at beginning, intermediate, and advanced levels that will help you to:

- Understand California's payroll tax reporting requirements.
- Avoid common pitfalls and costly mistakes.
- Control Unemployment Insurance costs.
- Learn the differences between independent contractors and employees.
- Discover services and resources available to you at no cost.

State payroll tax seminars are regularly presented at locations throughout California. To find out more about a seminar near you, call the Employment Tax Call Center at (888) 745-3886 or register on-line by accessing EDD's Internet site at **www.edd.ca.gov/taxsem**.

How to Order the California Unemployment Insurance Code or Code of Regulations

The *California Unemployment Insurance Code* (CUIC) may be purchased by contacting:

Employment Development Department
Business Operations Planning and Support
Division, MIC 62
P.O. Box 826880
Sacramento, CA 94280

Telephone: (916) 654-7638

The CUIC is also available on the Internet at **www.leginfo.ca.gov/calaw.html**.

The *Title 22, California Code of Regulations* (CCR) may be purchased by contacting:

Barclays Law Publishers
P.O. Box 95767
Chicago, IL 60694

Telephone: (800) 888-3600
Fax: (650) 244-0408

The CCR, including Title 22, is also available on the Internet at **www.calregs.com**.

Settlements Program

The Settlements Program provides employers and the State an opportunity to avoid the cost of prolonged litigation associated with resolving disputed payroll tax issues (i.e., protests, appeals, or refund claims).

When reviewing an offer, EDD considers the risks and costs for the State associated with litigating the issues balanced against the benefit of reaching a settlement agreement. Final tax liabilities, cases still in process, cases involving fraud or criminal violations, or issues solely involving fairness or financial hardship are generally not eligible. Depending on the reduction of tax and penalties and the petition status of the case, settlement agreements are subject to approval by an Administrative Law Judge, the California Unemployment Insurance Appeals Board, or the Attorney General before they can be finalized.

**Settlements
Program
(cont.)**

If you have questions regarding the Settlements Program, please call the Settlements Office at (916) 654-7162 or (916) 653-9130. To request the *Information Sheet: Settlements Program* (DE 231SP), please order through the Employment Tax Customer Call Center at (888) 745-3886, Fax-on-Demand at (877) 547-4503, or EDD's Internet site at www.edd.ca.gov/taxform.htm.

Settlement offers may be submitted to:

**Employment Development Department
Settlements Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280**

**(916) 653-9130 or (916) 654-7152
Fax: (916) 653-7986**

**Offers in
Compromise**

An Offers in Compromise (OIC) enables a qualified tax debtor to eliminate an employment tax liability at less than full value.² To qualify for an OIC, the liability must be final and undisputed. The employer's account must be inactive and out-of-business or the applicant must no longer have a controlling interest or any association with the business that incurred the liability. In addition, the applicant must meet all financial requirements, and full financial disclosure is required to analyze the offer. If you have questions or wish to request the *Information Sheet: Offers In Compromise* (DE 631C), please contact OIC at (916) 464-2726, access Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov.

**Underground
Economy**

The "underground economy" are those individuals and businesses that deal in cash and/or use other schemes to conceal their activities and their true tax liability from government licensing and tax agencies. Underground economy employers gain an unfair business advantage because they do not pay workers' compensation and State and federal payroll taxes.

Do not allow underground economy businesses to make you pay their taxes and gain an unfair competitive advantage. To report businesses that are paying workers undocumented cash payments, failing to carry workers' compensation insurance, or not complying with labor and licensing laws, please call EDD at:

**Underground Economy Operations
Hotline: (800) 528-1783
E-mail: ueo@edd.ca.gov**

To request the *Paying Cash Wages "Under the Table"* (DE 573CA) brochure, call the Employment Tax Call Center at (888) 745-3886, access Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov.

**Federal
Unemployment Tax
Act (FUTA)
Certification**

The Federal Unemployment Tax Act (FUTA) provides for cooperation between state and federal governments in the establishment and administration of unemployment insurance. Under this "dual" system, you are subject to the payroll tax requirements of both state and federal governments. You are required to file reports and pay unemployment taxes with EDD. You are also required to file a federal *Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940) to report total taxable UI wages and pay any amount due for federal unemployment tax.

On an annual basis, the IRS and EDD compare amounts reported on Form 940 and Lines C and D2 of your DE 7 reported to EDD. When an "out-of-balance" condition exists, a reconciliation must be made or an assessment may be issued by either EDD or IRS.

If you have any questions regarding the FUTA Certification process, please contact EDD's FUTA Certification Unit at (916) 654-8545.

EMPLOYERS' BILL OF RIGHTS

Commitment

The EDD is committed to applying the payroll tax laws of the State of California in an equitable and impartial manner and has developed the following information to inform you of your rights during the employment taxation process.

Employer Rights

As an employer, you have the right to:

- Courteous and timely service from EDD employees.
 - Expect that information maintained by EDD be kept confidential and not published or made available for public inspection. However, in certain instances, the law requires this information to be shared with other governmental agencies. When those instances occur, EDD closely follows the law to protect your rights to confidentiality.
 - Call upon EDD for accurate information and assistance and to have all your questions answered.
 - Receive a clear and accurate account statement if EDD believes you owe a tax.
 - Request a filing extension for up to 60 days. The law provides that EDD may grant a filing extension where good cause is shown for a delay.
 - An impartial audit and a full explanation of our audit findings if your business is selected for an audit.
 - Discuss an issue(s) with an EDD representative, supervisor, and office manager if you disagree with an action taken by EDD.
 - Appeal certain actions to the California Unemployment Insurance Appeals Board.
 - The Employers' Bill of Rights (DE 195) brochure has been developed to inform you of your rights during the employment taxation process. To request a copy of the brochure, use the order form on page 127, call the Employment Tax Call Center at (888) 745-3886, access Fax-On-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov.
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Office of the Taxpayer Rights Advocate

The EDD has established the Office of the Taxpayer Rights Advocate. The Taxpayer Rights Advocate is responsible for providing a clear, consistent focus on protecting the rights of the taxpayer.

Incorporated within the Office of the Taxpayer Rights Advocate is the Problem Resolution Office (PRO), which is responsible for protecting the rights of taxpayers during all phases of the payroll tax assessment and collection process, while also protecting the interests of the State.

If you are unable to resolve a payroll tax problem with an EDD representative, supervisor, and office manager, you may contact the PRO for assistance. The PRO will review the issues and facts of your case to ensure that your rights have been protected. The PRO will also work to facilitate a resolution to your problem. You may contact PRO by calling (916) 654-8957.

Protecting Your Privacy

The payroll tax information collected by EDD is confidential.

Employers and employees may access their own personal information by mailing a letter to the Tax Disclosure Office specifying the information they are requesting. You may also authorize your agent or representative to access your personal information through a written authorization or a power of attorney waiving your privacy rights.

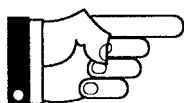
You may contact the Tax Disclosure Office at:

**Employment Development Department
Tax Disclosure Office, MIC 93
P.O. Box 826880
Sacramento, CA 94280**

(916) 654-5981

Payroll Tax Chart

Payroll Tax Chart				
	Unemployment Insurance (UI)	Employment Training Tax (ETT)	State Disability Insurance (SDI)	California Personal Income Tax (PIT)
Who Pays	Employer	Employer	Employee (employer withholds SDI from employee wages)	Employee (employer withholds PIT from employee wages)
Taxable Wages	First \$7,000 of subject wages per employee, per year	First \$7,000 of subject wages per employee, per year	See Note 2 below.	Please refer to PIT withholding tables on pages 87 through 118.
Tax Rate	Changes each year based on an employer's UI experience. The EDD notifies employers of their new rate each December. Generally, a new employer's UI tax rate is 3.4 percent for the first three tax years.	Set by statute at 0.1 (.001) percent of taxable wages for employers with positive UI reserve account balances.	Set by the California State Legislature, SDI may change each year. See Note 2 below.	California PIT is withheld based on the employee's Form W-4 or DE 4.
Maximum Tax	\$378 per employee, per year. (Calculated at the highest UI tax rate of 5.4 percent.)	\$7 per employee, per year	See Note 2 below.	No maximum
For More Information, Refer to Pages	38 46	38 65	38 57	38 59



- Note:** 1. Some types of employment are exempt from payroll taxes and PIT Withholding. Please refer to the "Types of Employment" table on page 67. Certain types of wages/benefits are exempt from payroll taxes; please refer to the "Types of Payments" table on page 77.
2. The SDI tax rate for 2002 was not available at the time this guide was published. Please call EDD's 24-hour Automated Call System at (916) 653-7795 or access our website at www.edd.ca.gov/taxrte9x.htm for the SDI tax rate.

SCHEDULE OF EMPLOYER REQUIREMENTS

Event	Requirements	Form Title/Number	Page
Hire employee	Employee completes the Internal Revenue Service form for federal income tax withholding.	<i>Employee's Withholding Allowance Certificate</i> (Form W-4)	59
	Employee completes the DE 4 form for California PIT withholding if status or allowance(s) are different from federal Form W-4.	<i>Employee's Withholding Allowance Certificate</i> (DE 4)	59
	All employers are required to report newly hired employees to EDD within 20 days of the start-of-work date.	<i>Report of New Employee(s)</i> (DE 34) or magnetic media	31
	Provide a copy to employee at the time of hiring.	<i>State Disability Insurance Provisions</i> (DE 2515) and <i>For Your Benefit</i> (DE 2320)	29
Contract for work to be performed by an individual, not an employee of the business/government entity	All businesses or government entities executing a contract for services are required to report specific information to EDD.	<i>Report of Independent Contractors</i> (DE 542)	32
Pay wages exceeding \$100 in any calendar quarter	File your industry specific registration form with EDD within 15 days of paying wages. For additional requirements, refer to page 29.	Industry specific registration forms: <i>Commercial</i> DE 1 <i>Agricultural</i> DE 1AG <i>Government/Schools</i> DE 1GS <i>Non-Profit</i> DE 1NP <i>Personal Income Tax Only</i> DE 1P	23
Federal Contractor Job Listing (FCJL)	Employers with U.S. Government contracts of \$25,000 or more. For additional requirements, refer to page 33.	Job Listing Internet Addresses: CalJOBS SM : www.caljobs.ca.gov America's Job Bank: http://web.ajb.dni.us VETS-100Format: http://vets100.cudenver.edu/	
Household employers must register with EDD and withhold SDI when cash wages of \$750 are paid in any calendar quarter. In addition, household employers must pay UI and ETT once cash wages of \$1,000 are paid in a calendar quarter within the current calendar year or within the preceding calendar year.	File your EDD registration form within 15 days of paying wages.	<i>Registration Form for Employers of Household Workers</i> (DE 1HW)	23
		For more information, please request the <i>Household Employer's Guide</i> (DE 8829) Note: Refer to page 35 of this guide for information regarding the Tax Telefile option to electronically file wage reports and pay employer tax.	127

SCHEDULE OF EMPLOYER REQUIREMENTS

Event	Requirements	Form Title/Number	Page
Deposit taxes withheld	After withholding over \$400 of PIT, deposit SDI and PIT with EDD using next banking day, semi-weekly, or monthly schedule. Pay UI and ETT and any remaining SDI and PIT withheld due by the end of each quarter.	<i>Payroll Tax Deposit</i> (DE 88)	38
		or <i>Electronic Funds Transfer (EFT)</i>	34
Pay period	Wages are reportable in the quarter paid (e.g., pay period ends 9/29 but wages are paid 10/1. Wages are reportable on the fourth quarter return.)	<i>Payroll Tax Deposit</i> (DE 88)	38
		<i>Quarterly Wage and Withholding Report</i> (DE 6)	41
Calendar quarter ends (payment of payroll taxes)	Submit end of quarter UI, ETT, PIT, and SDI payments by the last day of the month following the end of the quarter (April, July, October, January). The UI and ETT payments may be submitted voluntarily during the quarter.	<i>Payroll Tax Deposit</i> (DE 88)	40
		or <i>Electronic Funds Transfer (EFT)</i>	40
Calendar quarter ends (wage reports)	Report individual employees' subject wages, PIT wages, and PIT withheld by the last day of the month following the end of the quarter (April, July, October, January).	<i>Quarterly Wage and Withholding Report</i> (DE 6) or electronic filing methods	41
Household employers refer to <i>Household Employer's Guide</i> (DE 8829).			42 34
No quarterly payroll	Employer had no employees, no payroll for the entire quarter. A DE 6 is still required. If you have no payroll in a quarter, you are out of business, or you no longer have employees, check Box "C" or "D" on the DE 6.	<i>Quarterly Wage and Withholding Report</i> (DE 6) (All employers, including those that normally use magnetic media, use the paper DE 6 when they have a quarter with no payroll.)	41 Refer to <i>Magnetic Media Reporting Requirements for Quarterly Wage and Withholding Reporting Program</i> (DE 8300) for additional information.
Error in the information filed on the <i>Payroll Tax Deposit</i> (DE 88)	To correct an overpayment or underpayment within the same calendar year, make adjustments on your next DE 88.	<i>Payroll Tax Deposit</i> (DE 88) for underpayment, and	43
		<i>Tax and Wage Adjustments Form</i> (DE 678) for overpayment	43
Error in the information filed on the <i>Quarterly Wage and Withholding Report</i> (DE 6)	To correct previously reported, or unreported, total subject wages, PIT wages, and PIT withholding.	<i>Tax and Wage Adjustments Form</i> (DE 678) for individual wage line adjustments by quarter.	44

SCHEDULE OF EMPLOYER REQUIREMENTS

Event	Requirements	Form Title/Number	Page
Employee leaves job	Provide <i>For Your Benefit</i> brochure and a written notice regarding change in employment relationship to employee when he or she becomes unemployed.	<i>For Your Benefit</i> (DE 2320)	29
			30
Former employee files UI claim	To protest the claim, return the notice to EDD within 10 days of mailing date. To protest the claim, return the notice to EDD within 15 days of the mailing date shown on the form if the notice is regarding eligibility or within 20 days if the notice is regarding wages.	<i>Notice of Unemployment Insurance Claim Filed</i> (DE 1101C/Z), and <i>Notice of Wages Used for Unemployment Insurance (UI) Claim</i> (DE 1545)	51
			52
			53
Former employee files UI claim - employer disagrees with EDD determination	Appeal to EDD within 20 days of mailing date if you disagree with determination/ruling.	<i>Notice of Determination/Ruling</i> (DE 1080)	54
Employee leaves work because of pregnancy or nonoccupational illness or injury	Provide <i>State Disability Insurance Provisions</i> pamphlet to employee	<i>State Disability Insurance Provisions</i> (DE 2515)	29, 57
Employee files SDI claim	Return the notice to EDD within 2 working days of receipt when you have information affecting the claimant's eligibility.	<i>Notice to Employer of State Disability Claim Filed</i> (DE 2503)	57
Quarterly benefit audit	Return <i>Benefit Audit</i> to EDD within 10 days of mailing date.	<i>Benefit Audit</i> (DE 1296B)	55
Last calendar quarter of the year	File protest to items on the <i>Statement of Charges to Reserve Account</i> with EDD within 60 days of the mailing date.	<i>Statement of Charges to Reserve Account</i> (DE 428T)	48
	The notice provides tax rates for UI, SDI, and ETT for the following year. File protest with EDD within 60 days of mailing date.	<i>Notice of Contribution Rates and Statement of UI Reserve Account</i> (DE 2088)	47
End of calendar year	Provide Forms W-2/1099 to workers by January 31 of the following year. Note: Do not send copies of Forms W-2 to EDD or FTB.	<i>Wage and Tax Statement/Tax Statement for Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.</i> (Form W-2/1099-R)	63

SCHEDULE OF EMPLOYER REQUIREMENTS

Event	Requirements	Form Title/Number	Page
End of calendar year (cont.)	<p>File <i>Annual Reconciliation Statement</i> with EDD by January 31 of the following year.</p> <p>File <i>Annual Payroll Tax Return for Employers of Household Workers</i> with EDD by January 31 of the following year. Your annual payroll tax payment must be sent with the return.</p>	<p><i>Annual Reconciliation Statement</i> (DE 7)</p> <p><i>Annual Payroll Tax Return for Employers of Household Workers</i> (DE 3HW)</p>	<p>42</p> <p>Refer to the <i>Household Employer's Guide</i> (DE 8829) for additional information.</p>
End of calendar year error in the wages reported on employee's <i>Wage and Tax Statement</i> (Form W-2)	<p>Provide a <i>Corrected Wage and Tax Statement</i> form to employees.</p> <p>If an error was made on an <i>Annual Reconciliation Statement</i> (DE 7) sent to EDD, complete a <i>Tax and Wage Adjustments Form</i> (DE 678).</p>	<p><i>Corrected Wage and Tax Statement</i> (Form W-2C)</p> <p><i>Tax and Wage Adjustments Form</i> (DE 678)</p>	<p>63</p> <p>43</p> <p>44</p> <p>45</p>
No longer have employees	<p>Employer files final DE 88, DE 6, DE 7, and pays any payroll taxes owed.</p> <p>Please check "Box D" on the DE 6 and "Box B" on the DE 7 to indicate that this is your final report.</p>	<p><i>Payroll Tax Deposit</i> (DE 88)</p> <p><i>Quarterly Wage and Withholding Report</i> (DE 6)</p> <p><i>Annual Reconciliation Statement</i> (DE 7)</p>	<p>26, 38</p> <p>41</p> <p>42</p>
Sale of business	To avoid liability for the seller's unpaid payroll taxes, the buyer should request a <i>Certificate of Release of Buyer</i> .	<i>Certificate of Release of Buyer</i> (DE 2220)	<p>25</p> <p>26</p>
Quitting business	<p>Employer files final DE 88, DE 6, DE 7, and pays any taxes owed within 10 days of quitting business.</p> <p>Please check "Box D" on the DE 6 and "Box B" on the DE 7 to indicate that this is your final report.</p>	<p><i>Payroll Tax Deposit</i> (DE 88)</p> <p><i>Quarterly Wage and Withholding Report</i> (DE 6)</p> <p><i>Annual Reconciliation Statement</i> (DE 7)</p>	<p>26, 38</p> <p>41</p> <p>42</p>

WHO IS AN EMPLOYER?

General Definition An "employer" is a person or legal entity who hires one or more persons to work for a wage or salary. "Employers" includes:

- Sole proprietors
- Partnerships
- Limited partnerships
- Joint ventures
- Limited liability companies (LLCs)
- Limited liability partnerships (LLPs)
- C Corporations
- S Corporations
- Estates
- Associations
- Nonprofit organizations
- Trusts
- Public entities
- Charitable foundations
- State and federal agencies
- Other organizations

Household Employers

An employer of household services can be a:

- Private household
- Local college club
- Local chapter of a college fraternity or sorority

For additional information, request a *Household Employer's Guide* (DE 8829) by using the order form on page 127. You can also request a guide from the Employment Tax Call Center at (888) 745-3886.

Limited Liability Companies

A limited liability company (LLC) is a business entity created and regulated under the California Corporations Code, commencing with Section 17000. You must register with the Secretary of State to be considered a legal LLC, limited liability partnership (LLP), limited partnership, or corporation. Further information regarding LLCs can be found in the California Corporation Code.

To obtain additional information, contact the Secretary of State at (916) 653-6814 or access their Internet site at www.ss.ca.gov.

Additional Information

Additional information on subject wages for California Personal Income Tax, Unemployment Insurance, and State Disability Insurance can be found on page 27. Special classes of employment and special types of payments can be found in the "Types of Employment" table on page 67 and "Types of Payments" table on page 77. To obtain registration material, please call the Employment Tax Call Center at (888) 745-3886, use the order form provided on page 127, access Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

Did You Know?

The California Unemployment Insurance Appeals Board provides the following publications to help you prepare for Unemployment Insurance benefit appeals hearings:

- *Guide for Claimants, Employers and Their Representatives* (DE 1434)
- *Appeals Procedure* (DE 1433)

Request copies of these publications from:

Office of the Chief Administrative Law Judge
2400 Venture Oaks Drive, Suite 150
Sacramento, CA 95833

See page 54 for additional information on the appeals process.

General Definition

An "employee," as defined in the California Unemployment Insurance Code (CUIIC), includes all of the following:

- Any officer of a corporation
- Any worker who is an employee under the usual common law rules
- Any worker whose services are specifically covered by law (a statutory employee)

An employee may perform services on a less than full-time or temporary basis. The law does not exclude services from employment, which are commonly referred to as day labor, part-time help, casual labor, temporary help, probationary, or outside labor.

**"Common Law"
Employee or
Independent
Contractor**

"Common law," as we know it, has evolved slowly over the centuries based upon decisions rendered by the courts on individual cases. The **common-law** rules of employment, as they exist today, are the total of all court decisions related to the question of what constitutes an employment relationship.

An employer-employee relationship exists when a person who hires an individual to perform services has the right to exercise control over the manner and means by which the individual performs his or her services. The "**right of control**," whether or not exercised, is the most important factor in determining the relationship. Tax decisions by the California Unemployment Insurance Appeals Board (CUIAB) are based on the right of control factor along with examination of the secondary factors, when necessary. For examples of CUIAB tax decisions that illustrate the application of the common law rules, please order *Information Sheet: Employment* (DE 231). The EDD also publishes detailed information sheets on general and industry specific issues. To request information sheets, use the order form provided on page 129, call the Employment Tax Call Center at (888) 745-3886, access EDD's Internet site at www.edd.ca.gov/taxfmind.htm, or access Fax-on-Demand by calling (877) 547-4503. The CUIAB decisions are available on EDD's Internet site at www.edd.ca.gov/txprecdd/txpdind.htm.

Incorrectly classifying your workers can be a costly mistake. If you are found to have treated employees as independent contractors, you could be liable for back taxes, penalties, and interest. To help you determine if you have correctly classified your workers, EDD has provided several options:

- **Employment Determination Guide (DE 38)** - This guide provides a series of "Yes or No" questions regarding your treatment of workers that can help you determine if a problem may exist and whether you need to seek additional guidance.
- **Determination of Employment Work Status for Purposes of State of California Employment Taxes and Personal Income Tax Withholding (DE 1870)** – This form provides a series of questions regarding your relationship with your workers. After you complete and return this form, EDD will send you a written determination stating whether your workers are employees or independent contractors based on the facts that you have provided.
- **Payroll Tax Seminars** on employee or independent contractor issues - contact the Employment Tax Call Center at (888) 745-3886 or EDD's Internet site at www.edd.ca.gov/taxsem.
- **Verbal Guidance** on worker classification issues - call the Employment Tax Call Center at (888) 745-3886.
- **Information Sheets** on general and industry specific issues - To request information sheets, use the order form on page 129, call the Employment Tax Call Center at (888) 745-3886, access Fax-on-Demand by calling (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

Did You Know?

Social Security numbers and subject wage information from the *Quarterly Wage and Withholding Report* (DE 6) may be used to establish Unemployment Insurance and State Disability Insurance claims for benefits. Accurate reporting can eliminate incorrect charges to an employer's reserve account for UI benefits paid to former employees.

EMPLOYER REGISTRATION

When to Register	Commercial Employers	All employers conducting business in California are subject to the employment tax laws of the California Unemployment Insurance Code. A business becomes a subject employer when it pays accumulative wages in excess of \$100 in a calendar quarter to one or more employees. Wages consist of compensation for services performed, including cash payments, commissions, bonuses, and the reasonable cash value of nonmonetary payments for services, such as meals and lodging. Generally, all wages are considered subject wages. You must register with EDD within 15 days of paying wages in excess of \$100. Once subject, an employer must report wages for that year and the following year, regardless of the amount of wages paid. An employer remains subject unless there are eight consecutive quarters when wages do not exceed \$100.
	Household Employers	All employers of household workers must report when they employ one or more individuals to perform work and pay cash wages of \$750 in a calendar quarter. You must register with EDD within 15 days when you pay cash wages of \$750 or more in any calendar quarter. A guide designed specifically for household employers, the <i>Household Employer's Guide</i> (DE 8829), can be ordered by using the order form on page 127. You can also request a guide from the Employment Tax Call Center by calling (888) 745-3886.

Employers are responsible for reporting subject wages paid to their employees and paying Unemployment Insurance (UI) tax and Employment Training Tax (ETT) on those wages, withholding and depositing State Disability Insurance (SDI) and California Personal Income Tax (PIT) due on wages paid to workers, and reporting wages subject to California PIT.

When you register with EDD, you receive an eight-digit EDD employer account number that identifies your business for the purpose of reporting and paying payroll taxes.

Examples of when an employer becomes subject are:

- An employer hires a permanent employee during the month of March at a wage of \$7 per hour. The employee is paid wages of \$80 in March and \$200 in April. The employer is "subject" effective in April, since the employer did not pay the employee over \$100 during the first quarter of the year but paid more than \$100 during the second quarter of the year.
- An employer hires an employee for one day in April and pays the employee \$80. The employer hires another employee for half a day on May 4 and pays this employee \$40. The employer must register with EDD by May 19. The employer became "subject" when the second employee was paid \$40 because \$80 plus \$40 is over \$100. The employer must register with EDD within 15 days of paying more than \$100 in wages.
- A corporation operates without any employees except for the corporate president. The corporate president performs services for the corporation and is considered an employee by law. The corporate president draws no salary from the corporation but pays all of his personal bills from the corporate bank account. His personal bills for the first month of the corporation's operations totaled \$1,500. The corporation became an employer the first month of its operations because the personal bills of the corporate president were paid by the corporation and are considered wages to the corporate president.
- A limited liability company (LLC) or limited liability partnership (LLP) is managed by its three members, who operate the enterprise without employees. After several years, the LLC/LLP hires an employee to help in the business enterprise. The LLC/LLP is required to register as an employer within 15 days of paying an employee accumulative wages exceeding \$100 in a calendar quarter.

Example of when a business is not a subject employer:

A general partnership operates a business in which each partner draws a salary of \$1,000 per month. The partnership has no employees. The partnership is not required to register as an employer since partnership draws are not wages subject to UI, ETT, SDI, or PIT withholding and are not reportable as PIT wages.

**How to Register
(Obtaining an EDD
Employer Account
Number)**

The EDD has designed the series of industry specific registration forms below that request information relative to each type of employer.

Commercial	DE 1	Non-profit	DE 1NP
Agricultural	DE 1AG	Personal Income Tax Only	DE 1P
Government/Schools	DE 1GS	Household	DE 1HW

A registration form can be obtained by using the order form on page 127, calling the Employment Tax Call Center at (888) 745-3886, accessing EDD's Internet site at www.edd.ca.gov/taxform.htm, or using our Fax-on-Demand at (877) 547-4503. Please mail, or fax the completed registration form to:

**Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280
Fax (916) 654-9211**

You may also register by telephone by calling EDD's Tele-Reg at (916) 654-8706. Employers using Tele-Reg receive their EDD employer account number over the phone. After receiving your EDD employer account number, you will receive a new employer packet in three separate mailings. A *Registration Form* (DE 1) will be included in one of the mailings. **You will still need to complete the registration form specified for your industry.** Please mail or fax the completed registration form to the Account Services Group to the address or fax number listed above.

After you register, please include your eight-digit EDD employer account number in all correspondence and tax reports sent to EDD. If a bank or payroll service prepares your reports, be sure to provide them with your eight-digit EDD employer account number.

Please be sure to include your nine-digit Federal Employer Identification Number (FEIN) on the EDD registration form so the Federal Unemployment Tax Act (UI tax) credits can be properly applied to your account when claimed on your Internal Revenue Service (IRS) *Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940). For information on federal filing requirements, contact the nearest IRS office.



Note:

- You must register with the Secretary of State to be considered a legal limited liability company (LLC), limited liability partnership (LLP), limited partnership, or corporation.
- You should contact IRS, your workers' compensation insurance carrier, and the Department of Industrial Relations (DIR) to ensure that you are in compliance with federal laws, State workers' compensation statutes, wage, hour, and overtime rules.

Did You Know?

Each quarter, an issue of EDD's *California Employer* newsletter is included with your *Quarterly Wage and Withholding Report* (DE 6).

This newsletter provides important information for employers about payroll taxes, new legislation, and news on EDD's programs and services. It also provides helpful reporting tips that can save you time or help you avoid common errors. Please take a few minutes to read the *California Employer* each quarter.

EMPLOYER CHANGE OF STATUS

General Definition Employer status changes are when you no longer have employees, close your business, purchase or sell a business, change your mailing address, move the business location, or change business ownership.

Change of Mailing Address To change your mailing address, please complete the change of address form provided in the *Payroll Tax Deposit* (DE 88) coupon booklet or the *Instructions for Preparing Payroll Tax Deposit* (DE 88All-I). You may also use a *Notification of Change of Address, Business Ownership, or Discontinuance of Business* (DE 24), which may be ordered through the Employment Tax Call Center at (888) 745-3886, our Fax-on-Demand by calling (877) 547-4503, or EDD's Internet site at www.edd.ca.gov/taxform.htm.

Do not make any changes to the preprinted data on the front of the *Payroll Tax Deposit* (DE 88), *Quarterly Contribution Return* (DE 3D), *Quarterly Wage and Withholding Report* (DE 6), or *Annual Reconciliation Statement* (DE 7).

Purchase, Sale, Transfer, or Entity Change All registered employers must report **any** change in business status (for example: any change in business name or legal entity such as a change from partnership or limited liability company to corporation) in writing or by completing an updated *Registration Form* (DE 1) and mailing it to:

**Employment Development Department
Account Services Group, MIC 28
P.O. Box 826880
Sacramento, CA 94280**

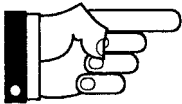
Fax: (916) 654-9211

Please be sure to include your eight-digit EDD employer account number, your name, and your telephone number on all correspondence you send to EDD.

Although a new EDD employer account number is not required for most ownership changes, you still need to notify EDD of any change to your business. When there is a change in the type of ownership but one or more owners of the business remain, the new entity keeps the same EDD employer account number and continues to make payroll tax deposits and file reports as though it was the same ownership for the entire year. For additional information on whether a new EDD employer account number is necessary, contact our Account Services Group at the above address or call (916) 654-8706.

Successor Employer

A successor employer is an employer who acquired all or part of another employer's business. The successor employer may receive all or part of the predecessor's UI reserve account balance by applying for a reserve account transfer, which may qualify the successor for a lower UI tax rate. The successor employer files a DE 1 with EDD to register and receives a new EDD employer account number even though the employer has acquired all or part of the predecessor's UI reserve account balance. For more information on reserve account transfers, refer to page 47 or contact our Contribution Rate Group at (916) 653-7795.



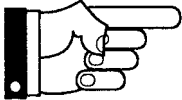
Note:

- There are time limits to qualify for a reserve account transfer – apply for a reserve account transfer immediately after purchasing an ongoing business.
 - Acquiring all or part of the stock in a corporation does not constitute a new employing unit. The corporation retains the same EDD employer account number.
-

**Release of Buyer
(Escrow Clearance)**

When purchasing a business, the buyer should contact the Employment Tax Call Center at (888) 745-3886 to request a *Certificate of Release of Buyer* (DE 2220) to avoid any liability for the seller's unpaid payroll taxes. Until a DE 2220 is issued, the buyer must withhold, in escrow, an amount of funds sufficient to cover all amounts due to EDD from the seller. The amount withheld should not exceed the purchase price of the business. For additional information, refer to *Information Sheet: Requirements for Obtaining Certificate of Release of Buyer When a Business Is Sold* (DE 3409A). To obtain a *Certificate of Release of Buyer*, the seller must pay all amounts owed to EDD. Payment must be made by cash, cashier's check, certified check, escrow check, or money order payable to EDD.

For protection from potential liability, the buyer should make sure that the escrow funds are not disbursed until the DE 2220 is issued by EDD.



Note: Compliance with Section 3440, Code of Civil Procedure, regarding the publishing of a *Notice of the Intended Sale of Business*, will not relieve the buyer of his or her obligation to EDD.

**No Longer have
Employees**

If you no longer have employees and will not be reporting wages in any future quarter, you must send a final *Payroll Tax Deposit* (DE 88) with payment, *Quarterly Wage and Withholding Report* (DE 6), and *Annual Reconciliation Statement* (DE 7). For EDD to close your employer account, you must complete Box "B," "C," or "D" of the DE 6 and Box "A" or "B" of the DE 7.

Quitting Business

Employers quitting business **are required** to file a DE 88 with payment, DE 6, and DE 7 within 10 days of quitting business, **regardless** of the usual reporting period due date. For EDD to close your employer account, you must complete Box "B," "C," or "D" of the DE 6 and Box "A" or "B" of the DE 7.

Did You Know?

The *Payroll Tax Deposit* (DE 88) coupons and envelopes we provide you are coded. Our computers read the EDD employer account number coded on the coupons and apply the payment accordingly. If you use another employer's coupon, your payroll tax payment will be posted to their EDD employer account.

The Post Office sorts and delivers mail based on the address bar coded on the envelopes. If you use our envelopes to pay other bills, **regardless** of the address you type in, the payment will be sent to EDD.

WHAT ARE SUBJECT WAGES FOR UI, SDI, AND PIT TAXES?

General Definition of Subject Wages



Subject wages are all payments made to an employee for personal services, whether paid by cash, check, or the reasonable cash value of noncash payments, such as meals and lodging. Generally, all wages are considered subject wages and are used to determine Unemployment Insurance (UI) and State Disability Insurance (SDI) benefits.

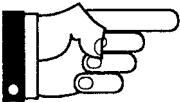
Subject wages are the full amount of wages, regardless of the \$7,000 UI and SDI taxable wage limits*, and are entered in Item G of the *Quarterly Wage and Withholding Report* (DE 6). For special classes of employment and payments that may not be considered subject wages, refer to the "Types of Employment" table on page 67, and "Types of Payments" table on page 77.

The method of payment does not change the taxability of wages paid to employees, whether by private agreement, consent, or mandated by law. Even if the employee is a casual worker, day or contract laborer, part-time or temporary worker, paid by the day, by the hour, or any other measurement, the payments are still considered wages. For additional information, request *Information Sheet: Wages* (DE 231A) by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand by calling (877) 547-4503, using the order form on page 129, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

General Definition of Personal Income Tax (PIT) Wages

Personal Income Tax (PIT) wages are cash and noncash payments subject to California PIT. Any wages that must be reported on an individual's California income tax return are PIT wages. Most payments for employees' services are reportable as PIT wages. An employee's calendar year total for PIT wages should agree with the amount reported on the employee's *Wage and Tax Statement*, Form W-2, in Box 16 (State Wages, Tips, etc.). The PIT wages must be reported quarterly in Item H of the DE 6.

For additional information on PIT wages, please request *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6)* (DE 231PIT) by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand by calling (877) 547-4503, using the order form on page 129, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

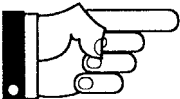


Note: Wages excluded from PIT withholding are still PIT wages; for example, wages paid to household employees or agricultural workers.

Difference Between Subject Wages and PIT Wages

In most situations, when wages are subject to UI, ETT, SDI, and PIT withholding, the subject wages and PIT wages are the same. Some examples of when subject wages and PIT wages are different are:

- Employee salary reduction contributing to a qualified retirement or pension plan are included as subject wages but are not reportable as PIT wages.
- Under certain situations, wages paid to family employees (minor son or daughter under 18, spouse, and parent) may not be reported as subject wages but are reportable as PIT wages. For additional information, refer to the "Types of Employment" table on page 67 or contact the Employment Tax Call Center at (888) 745-3886.
- Payments made to employees of churches are not reported as subject wages but are reportable as PIT wages.



Note: If total subject wages and California PIT wages are the same, you still must enter both wage amounts on the DE 6 in their designated fields. If subject wages or PIT wages are "0" (zero), you must enter "0" (zero) and **do not** leave the fields blank.

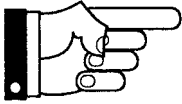
*The SDI tax rate for 2002 was not available at the time this guide was published. Please call EDD's 24-hour Automated Call System at (916) 653-7795 or access our website at www.edd.ca.gov/taxrte9x.htm for the SDI tax rate.

WHAT ARE SUBJECT WAGES FOR UI, SDI, AND PIT TAXES?

Payroll Taxes Due

Employers are responsible for paying the following:

- Unemployment Insurance (UI) and Employment Training Tax (ETT)
- Employee withholdings for State Disability Insurance (SDI) and Personal Income Tax (PIT)
- Any associated penalty and interest due to late tax filing or late payment



Note: If a business owner hires a worker as an independent contractor and at a later date it is determined that the worker is an employee, the business owner is financially liable for the unpaid taxes, even if the taxes were not withheld.

Employers Withholding California Personal Income Tax (PIT) Only

Employers who are only required to withhold California PIT are also required to register with EDD. The employer is liable for the required PIT, whether or not it is withheld. By law, the filing of federal Form 1099 (issued to the worker) with the Franchise Tax Board does not relieve the employer of liability. The employer may be liable for the associated penalties or additions to the tax liability if these individuals are later held to be subject employees. For additional information, request *Information Sheet: How To Reduce Your Personal Income Tax Liability* (DE 231W) by calling the Employment Tax Call Center at (888) 745-3886, accessing our Fax-on-Demand by calling (877) 547-4503, using the order form on page 129, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

How to Determine Your Tax and Withholding Requirements

For additional information, refer to the "Types of Employment" table on page 67, and "Types of Payments" table on page 77. These tables identify special classes of employment, special types of payments, and their respective treatment for UI, ETT, SDI, and California PIT wages and withholding. Also refer to "Who is an Employee" on page 22. If you have any questions regarding an individual's proper status in working for or with you, please contact the Employment Tax Call Center at (888) 745-3886.

In addition to these tables, EDD has prepared information sheets for specific industries and types of services. You may request specific information sheets by using the order form provided on page 129, calling the Employment Tax Call Center at (888) 745-3886, accessing our Fax-on-Demand at (877) 547-4503, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

Did You Know?

The EDD provides employers and job seekers free access to CalJOBSsm, an Internet-based job matching service. The system allows employers to directly enter job listings with EDD through their personal computers and browse resumes to locate qualified job seeker resumes from entry level to executive. For more information, visit our Internet site at www.caljobs.ca.gov or call your local EDD Job Service office. You may also call (800) 758-0398 during regular business hours (Monday through Friday, 8 a.m. to 5 p.m. Pacific time). Hearing impaired persons can also access a TTY using this same telephone number.

EMPLOYER OBLIGATIONS

Notices and Pamphlets for Employees

Posting Requirements

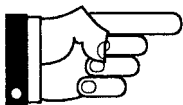
Once you are registered with EDD, you will receive a notice to inform your employees of their rights under the Unemployment Insurance (UI) and State Disability Insurance (SDI) programs. This notice must be posted in a prominent location, easily seen by your employees.

You will receive one of the following:

- Employers subject to both UI and SDI will receive a *Notice To Employees* (DE 1857A)
- Employers subject to UI only will receive a *Notice To All Employees of Public Entities* (DE 1857D)
- Employers subject to SDI only will receive a *Notice To Employees – Disability Insurance* (DE 1858)

Notices and Pamphlets

1. *Notice to Employees* (DE 35) informs employees that their employers are required to send copies of *Employee's Withholding Allowance Certificate* (Form W-4) to the Internal Revenue Service (IRS) if the certificate meets certain conditions. Please refer to "Marital Status, Withholding Exemptions and Allowances (DE 4 and Form W-4)" on page 59 for further information.
2. Unemployment Insurance (UI) and State Disability Insurance (SDI) Benefits - The following pamphlets, explaining employee benefit rights, must be given to each employee:
 - *For Your Benefit* (DE 2320) – This booklet summarizes UI claim information.
 - *State Disability Insurance Provisions* (DE 2515) – This pamphlet outlines the SDI program.



Note: To request the pamphlets, notices, or forms listed above, use the order form on page 127. Voluntary Disability Insurance (DI) plan insurers have similar literature. Voluntary DI plan employers must also supply claim forms to their employees. For further information on voluntary plans, refer to page 58.

3. Notice of Discharge, Layoff, or Leave Of Absence – Written notice must be given immediately to an employee of his or her discharge, layoff, leave of absence, or a change in status from employee to independent contractor. No written notice is required in any of the following situations:
 - Voluntary quit
 - Promotion or demotion
 - Change in work assignment or work location
 - Stopping work due to a trade dispute

Notices to employees for discharge, layoff, leave of absence, or change of employment status should be prepared by the employer (EDD does not provide notices). Notices **must** include the following five items to meet the minimum requirements:

1. Employer's name
2. Employee's name
3. Employee's Social Security number
4. Date of action
5. Type of action: discharge, layoff, leave of absence, or change of employment status from employee to independent contractor

**Notices and
Pamphlets for
Employees
(cont.)**

The following sample meets the minimum requirements:

NOTICE TO EMPLOYEE AS TO CHANGE IN RELATIONSHIP (Issued pursuant to provisions of Section 1089 of the California Unemployment Insurance Code.)	
Name _____	SSN# _____
1. You were laid off/discharged on _____	20 _____
2. You were on leave of absence starting _____	20 _____
3. Your status changed from an employee to an independent contractor on _____	20 _____
_____ NAME OF EMPLOYER	
_____ BY	

You may wish to prepare the employee notice in duplicate and keep the second copy for your files.

**Plant
Closures
and
Mass Layoffs
(WARN Act)**

The federal Worker Adjustment and Retraining Notification (WARN) Act requires employers to provide 60 days advance notice of covered plant closings and covered mass layoffs.

A covered plant closing occurs when a facility or operating unit is shut down for more than six months, and 50 or more workers and one-third of the workforce lose their jobs as a result during any 30-day period. A covered mass layoff occurs when a layoff of six months or longer affects 500 or more workers, or 33 percent or more of the employer's workforce when the layoffs affect between 50 and 499 workers. The number of affected workers is the total number laid off during a 30-day period, or in some cases a 90-day period.

The WARN Act does not apply to the closing of temporary facilities or the completion of an activity when the workers were hired only for the duration of that activity. The WARN Act also provides for less than 60 days notice when the layoffs were the result of the closing of a faltering company, unforeseeable business circumstances, or a natural disaster.

If the WARN Act applies to you, written notice 60 days in advance of any plant closure or mass layoff must be given to the following:

- Representatives of affected employees or to each employee
- The chief elected official of the unit of local government in the area where the closure or layoff will occur.
- The State Dislocated Worker Unit at:

**Employment Development Department
Workforce Investment Division, MIC 69
Automation and Local Support Section
P.O. Box 826880
Sacramento, CA 94280**

The notice must include the following:

- Name and address of the employment site where the plant closing or mass layoff will occur
- Name and telephone number of a company official to contact for further information
- Date of closure or layoff and anticipated schedule for making separations
- Job titles of positions to be affected and the number of affected employees in each job classification
- An indication as to whether or not seniority rights exist
- Name of each union representing affected employees
- Name and address of the chief elected officer of each union

EMPLOYER OBLIGATIONS

Plant Closures and Mass Layoffs (WARN Act) (cont.)

Employers who fail to provide the required notice to a unit of local government may be liable for civil penalties up to \$500 for each day of violation, and up to 60 days back pay and benefits to affected employees.

The EDD has established a **Rapid Response Team**, which is a cooperative effort between the Local Workforce Investment Area and the local EDD Job Service/Unemployment Insurance staff. This team disseminates information on the Workforce Investment Act Title I Dislocated Worker Rapid Response Program (i.e., services and training and the EDD Job Service/Unemployment Insurance Program).

If the dislocation is the result of foreign competition, the dislocated worker may be eligible for assistance, income support, job search assistance/relocation, and/or training under the Trade Assistance Act or North American Free Trade Act, and Trade Adjustment Assistance. Please refer to page 56 for additional information.

For more information about WARN Act requirements or to obtain the name and location of your Local Workforce Area, call EDD's Workforce Investment Division at (916) 654-7111.

New Employee Registry (NER)

All employers are required to report new employees to the New Employee Registry (NER) program. The NER program assists California's Department of Child Support Services and Department of Justice in the collection of delinquent child support obligations. California has requested that employers report the start-of-work date for each newly hired employee so that the NER data can be matched to the benefit payment file. This will result in the early detection and prevention of UI benefit overpayments.

Within 20 days of the start-of-work date, all newly hired employees must be reported. If an employee, who returns to work after a layoff or leave of absence, is required to complete a new *Employee(s) Withholding Allowance Certificate – (Form W-4)*, the employer must report the employee as a new hire. If the returning employee was not formally terminated or removed from payroll records, the employee does not need to be reported as a new hire. The following information must be included when reporting new employees:

Employer Information	Employee Information
<ul style="list-style-type: none">NameAddressEDD employer account numberFederal Employer Identification Number (FEIN)	<ul style="list-style-type: none">First name, middle initial, and last nameSocial Security numberHome addressStart-of-work date

You may use EDD's *Report of New Employee(s)* (DE 34) form, a copy of the IRS Form W-4, or your own reporting form. If you do not use EDD's DE 34, you must include the information in the table above, on Form W-4, or your own form.

To obtain a DE 34, use the order form provided on page 127, contact the Account Services Group at (916) 657-0529, Employment Tax Call Center at (888) 745-3886, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

A prerecorded telephone message has been provided to request a NER information packet or order the DE 34 form and may be accessed by calling (916) 657-0529. New employee information must be reported to EDD by mail or fax to:

**Employment Development Department
Document Management Group, MIC 23
P.O. Box 997016
West Sacramento, CA 95799

Fax: (916) 255-0951**

**New Employee
Registry (NER)**
(cont.)

Magnetic media reporting may be used to report new employees. Multistate employers, who report new hires on magnetic media, can select one state in which they have employees to report new hires. If you report magnetic media, you do not need to send a hardcopy DE 34. For further information on magnetic media reporting, see page 36 or contact:

**Employment Development Department
Magnetic Media Coordinator, MIC 15
P.O. Box 826880
Sacramento, CA 94280**

(916) 651-6945

**Independent
Contractor
Reporting**

Any business or government entity that is required to file a federal Form 1099-MISC must also report specific information to EDD regarding any independent contractor providing services to you or your business.

An independent contractor is an individual who is not an employee of a business/government entity for California purposes and who receives compensation for, or executes a contract for services performed for a business/government entity, either in or outside of California.

You must report independent contractor information to EDD within 20 days of either making payments totaling \$600 or more, or entering into a contract for \$600 or more with an independent contractor in any calendar year, whichever is earlier. This requirement is in addition to your requirement to report the total annual payments to the Franchise Tax Board on a Form 1099-MISC after the close of the calendar year.

You are required to provide the following information:

Business or Government Entity Information (Service Recipient)	Independent Contractor Information (Service Provider)
<ul style="list-style-type: none">• Federal Employer Identification Number (FEIN)• EDD employer account number• Social Security number (if no FEIN number or EDD employer account number)• Business or government entity name, address, and telephone number	<ul style="list-style-type: none">• First name, middle initial, and last name (<i>Do not use company name</i>)• Social Security number (<i>Do not use FEIN</i>)• Address• Start date of contract• Amount of contract (including cents)• Contract expiration date• Ongoing contract (check box if this applies)

Report independent contractor information on the *Report of Independent Contractor(s)* (DE 542) form. If you are reporting a large number of independent contractors, we encourage you to send the information via magnetic media. If you report on magnetic media, you do not need to send a hardcopy DE 542. You may obtain magnetic media information by calling (916) 651-6945.

The DE 542 can be mailed or faxed to:

**Employment Development Department, MIC 99
P.O. Box 997350
Sacramento, CA 95899**

Fax: (916) 255-3211

Additional Independent Contractor Reporting information and DE 542 forms may be obtained by calling our hotline at (916) 657-0529, or by accessing EDD's Internet site at www.edd.ca.gov.

EMPLOYER OBLIGATIONS

Federal Contractor Job Listing Requirements

Employers with U.S Government contracts or subcontracts of \$25,000 or more are required to list job openings with the State employment service system or with America's Job Bank. In California, employers must list job openings with EDD's CalJOBSsm Labor Exchange System at **www.caljobs.ca.gov**. Furthermore, the employer is required to take affirmative action to employ and advance in employment qualified disabled veterans of the Vietnam era.

All Government contractors who hold a contract or subcontract for \$50,000 or more and have at least 50 employees are further required to prepare and maintain an affirmative action program at each establishment which sets forth the policies and practices in hiring and promoting qualified disabled and Vietnam era veterans. The plan (VETS-100 Format) must be updated each year.

Record Keeping



Employers are required to keep payroll records for at least four years. State law provides that if you believe that you are **not** a subject employer or your employees are exempt, you are required to maintain records of payments made to people who provide services to your business for at least eight years in case of an employment tax audit. Your records must provide a true and accurate account of **all** workers (employed, laid off, on a leave of absence, and independent contractor) and all payments made. Records must include the following information for each worker:

- Name and social security number
- Date hired, rehired, or returned to work after temporary layoff
- Last date services were performed
- Place of work
- Money paid:
 - The dates and amounts of payment
 - The pay period covered
- Cash or cash value of in-kind wages (such as bonuses, gifts, prizes, meals and lodging, etc.) showing the nature of the payment, the period that the services were performed, and the type of special payments made.
- The amounts withheld from employee wages. (Note: You may be required to make withholding deposits. Please refer to "Employee Payroll Withholding Deposits" on page 39.)
- Disbursement records showing payments to workers
- Other information necessary to determine payments to workers

Each year, the records of many employers are audited. Additional information that must be kept and could be required during an audit includes:

- Cash disbursement records
- Checking account deposits and disbursements
- Incorporation papers (for corporations)
- Partnership agreement (if applicable)
- Business income tax returns
- Amounts and dates of payments to employees absent due to sickness or injury, whether you or a third-party made the payment
- The value of fringe benefits provided to workers
- Tips reported by workers
- Pension and annuity plans:
 - Copies of plans and agreements
 - Amount and dates of payments under plans
- Copies of your State and federal payroll returns and reports, *Employee's Withholding Allowance Certificates* (Forms W-4 or DE 4s), and employees' *Tax and Wage Statements* (Forms W-2).

If your payroll office is located outside of California, you must furnish payroll records to EDD upon request.

For additional information on employment tax audits, request *Information Sheet: Employment Tax Audit Process* (DE 231TA) by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand by calling (877) 547-4503, or by accessing EDD's Internet site at **www.edd.ca.gov/taxform.htm**.

Introduction

The EDD offers electronic methods of filing payroll tax reports. The following sections describe each of these filing options.

Electronic Funds Transfer

Electronic Funds Transfer (EFT) is an electronic method for remitting all of your Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance (SDI), and Personal Income Tax (PIT) payments. Funds are transferred from your bank account, with payment information, to the State's account eliminating the need to send a *Payroll Tax Deposit* (DE 88) coupon and paper check. The following is a brief overview of the EFT program:

- **Mandatory EFT** - Each year, your account is reviewed to determine if you meet the requirements for mandatory EFT filing. If your average (per payment) deposit for SDI and PIT is \$20,000 or more for the prior State Fiscal Year (July 1 to June 30), you are required to pay all SDI and PIT deposits by EFT during the next calendar year, regardless of the dollar amount. First time mandatory EFT filers are notified of their status by October 31, prior to the year of EFT participation. Employers who meet the requirement in the preceding year do not receive another notice. Mandatory EFT participants are subject to a 10 percent noncompliance penalty if a SDI and PIT deposit is paid by check with a DE 88 coupon. The UI and ETT payments are not subject to the noncompliance penalty.
 - **Voluntary EFT Filing** – If you do not meet the mandatory EFT requirement, we encourage you to file by EFT on a voluntary basis.
 - **Payment Options** - There are two EFT payment methods, the Automated Clearing House (ACH) debit method and the ACH credit method. Employers who select the ACH debit method report their payment information to the State's data collector by telephone or personal computer (PC) with modem. The ACH credit filers report their payment information to their bank, usually by PC or through a program offered by their bank.
 - **Timeliness** - The timeliness of your EFT payment is determined by the settlement date (the date funds are credited to the State's bank account). For Next Banking Day deposits, a timely settlement date is considered to be the second business day following your deposit due date. For Semi-Weekly, Monthly, and Quarterly deposits, a timely settlement date is considered to be the next business day following your deposit due date.
 - **EFT Information** – To obtain an *EFT information Guide* (DE 27) or *EFT Authorization Agreement* (DE 26), contact the EFT Unit at (916) 654-9130 or access EDD's Internet site at www.edd.ca.gov.
-

Household Employer Internet Reporting

Household Employer Internet Reporting (HEIR) is now available. This new application allows household employers to file their most common EDD tax and wage forms over the Internet. Household employers who are registered with EDD's EFT Debit Program will also be able to pay their payroll taxes over the Internet.

Household employers should receive an invitation and Personal Identification Number (PIN) to use the HEIR Program. Household employers who have an HEIR PIN and are not registered to pay their taxes by EFT must send a completed *Internet/Telefile Remittance Authorization Agreement* (DE 26T) form and attach a voided check to the following address:

**Employment Development Department
EFT Unit, MIC 15
P.O. Box 826880
Sacramento, CA 94280**

For additional information regarding HEIR, refer to the *Household Employer's Guide* (DE 8829). To obtain a DE 8829, use the order form on page 127 or access EDD's Internet site at www.edd.ca.gov. To request a DE 26T, call the Telefile/HEIR customer service call center at (800) 796-3524 or communicate via email at ecom@edd.ca.gov.

FILING OPTIONS

Tax Telefile

Telefile is designed especially for employers with five or fewer employees and employers of household workers. Employers and/or their payroll agents may use the Telefile system to report and pay payroll taxes by telephone. Rotary dial telephone users, or customers who choose not to use the touch tone method, can Telefile by selecting the voice recognition option from the Telefile main menu.

Employers or their agents call a toll-free number, enter both a Personal Identification Number and their EDD employer account number to file EDD reports and/or payments over the telephone. The Telefile system prompts the caller to enter and verify the appropriate information. You may elect to Telefile just wage and withholding reports, or you may elect to pay applicable taxes through the EFT (ACH debit method).

Reports that can be Telefiled

- *Quarterly Wage and Withholding Report* (DE 6)
- *Quarterly Report of Wages and Withholdings for Employers of Household Workers* (DE 3BHW)
- *Annual Payroll Tax Return for Employers of Household Workers* (DE 3HW) (EFT customers only)
- *Payroll Tax Deposit* (DE 88) coupon (EFT customers only)

Telefile system features

- Available 24 hours a day, 7 days a week (excluding scheduled maintenance).
- Toll-free numbers for Telefile access and customer service.
- Quickly updates your account.
- Eliminates mailing reports or checks (paper reports will still be mailed to employers).
- Wage and withholding reports may be filed for the current and five previous quarters; the DE 3HW may be filed for the current and previous year.
- Telefile is a voluntary filing program.
- No cost to the employer.

To find out if Telefile is right for you, or to request a Telefile registration package, call Telefile Customer Service at (800) 796-3524, Monday through Friday, 8 a.m. – 5 p.m. You may also contact Tax Telefile customer service through e-mail at ecom@edd.ca.gov.

Electronic Data Interchange

Electronic Data Interchange (EDI) offers an option for employers to file their *Quarterly Wage and Withholding Report* (DE 6) electronically. The EDI is the computer-to-computer exchange of information between trading partners. Trading partners are employers or agents and EDD.

Employers who choose to use EDI must:

1. Use a computer and modem.
2. Send data in the American National Standards Institute (ANSI) X12 standard format.
3. Obtain the services of a Value Added Network (VAN).

To sign up for EDI, an *Electronic Data Interchange Filing Agreement* (DE 813A) must be signed and returned to EDD. To print or view a copy of the *EDI Trading Partner Implementation Guide* (DE 813), an *EDI Filing Agreement* (DE 813A), or an *EDI Brochure* (DE 813B), access the EDD Internet site at www.edd.ca.gov/taxform.htm.

To request a copy of the DE 813, DE 813A, or DE 813B, or to obtain additional information, contact :

**Employment Development Department
EDI, MIC 96
P.O. Box 826880
Sacramento, CA 94280**

**(916) 255-1649
E-mail: ecom@edd.ca.gov**

**Magnetic
Media
Reporting
Requirements/
Options**

Employers who are required to file their federal wage reports using magnetic media returns (250 or more employees) must also file their California *Quarterly Wage and Withholding Report* (DE 6) on magnetic media. Any employer who fails to file their report of wages on magnetic media after being notified by EDD's Director that they are required to use this reporting method will be assessed a penalty of \$10 for each wage item not reported on magnetic media.

If you have less than 250 employees, we encourage you to file by magnetic media as it significantly reduces the processing costs and time needed to record wage and tax information. Magnetic media virtually eliminates the possibility of errors resulting from manual processing. Tax preparers and payroll services may file their clients' DE 6 reports on magnetic media.

Employers unable to comply with this requirement may request a *Waiver Request From Filing Quarterly Wage and Withholding Report(s) on Magnetic Media* (DE 3086M) by accessing EDD's Internet site at www.edd.ca.gov/taxform.htm. The waiver must be filed **each** calendar year, postmarked by March 31. Employers will be notified when the waiver has been approved or denied. Approved waivers are valid for six months, or longer at the discretion of the Director. Employers who receive a waiver are required to file paper DE 6 reports.

The *Magnetic Media Quarterly Wage and Withholding Reporting Program* (DE 8300) booklet is available on EDD's Internet site at www.edd.ca.gov/taxform.htm. The following magnetic media reporting methods are acceptable:

- 9-track magnetic media standard ½ inch reel
- 5 ¼ inch diskette
- IBM-compatible 3480/3490 tape cartridge
- 3 ½ inch diskette

The EDD accepts the following DE 6 magnetic media formats:

- Interstate Conference of Employment Security Agencies (ICESA)
- Federal Magnetic Media Reporting and Electronic Filing (MMREF)

The EDD also allows tax preparers and payroll services to file their clients' *Payroll Tax Deposit* (DE 88) and *Annual Reconciliation Statement* (DE 7) on magnetic tape. To be eligible for this type of reporting, tax preparers/payroll services must file returns for a minimum of 250 California employers. Tax preparers/payroll services submit one reel tape for each type of report, or deposit with **one** check to cover the total reported liability and meet the normal filing deadlines.

For further information on magnetic media reporting, or to sign up for a reporting method, contact:

**Employment Development Department
Magnetic Media Coordinator, MIC 15
P.O. Box 826880
Sacramento, CA 94280**

**(916) 654-6845
Fax: (916) 654-7441**

FILING OPTIONS

Magnetic Media Reporting Requirements/ Options (cont.)

Type of Report	Contact
<p>Magnetic Media Programs for employers and tax preparers:</p> <ul style="list-style-type: none"> • <i>Report of New Employees</i> (DE 34) • <i>Independent Contractor</i> (DE 542) • <i>Quarterly Wage and Withholding Report</i> (DE 6) • <i>Waiver Request From Filing Quarterly Wage and Withholding Report(s) (DE 6) on Magnetic Media</i> (DE 3086M) <p>Magnetic Media Programs for tax preparers only:</p> <ul style="list-style-type: none"> • <i>Annual Reconciliation Statement</i> (DE 7) • <i>Payroll Tax Deposit</i> (DE 88) <p>Information returns:</p> <ul style="list-style-type: none"> • Various federal Forms 1099 	<p>Employment Development Department Magnetic Media Coordinator, MIC 15 P.O. Box 826880 Sacramento, CA 94280</p> <p><u>Telephone</u> DE 34 and DE 542: (916) 651-6945</p> <p>DE 6 and DE 3086M: (916) 654-6845</p> <p>Employment Development Department P.O. Box 826880, MIC 96 Sacramento, CA 94280</p> <p>Telephone: (916) 255-0649</p> <p>Franchise Tax Board Magnetic Media Coordinator P.O. Box 942840 Sacramento, CA 94240</p> <p>Telephone: (916) 845-3778</p>

Scannable Forms - Requirements

Preprinted DE 88, DE 6, and DE 7 forms can be requested by completing the order form on page 127, calling the Employment Tax Call Center at (888) 745-3886, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm. Please **do not** use a photocopy, non-EDD form, or an unapproved computer printout of a DE 88, DE 6, or DE 7³ because these forms cannot be scanned. Do not add additional lines that are not on the form or use highlighter because the form cannot be scanned with these changes.

If you prefer to use an alternate tax form, it must conform to the specifications provided by the Alternate Forms Coordinator. Your forms must be tested and approved prior to use. For specifications and approvals of alternate forms, contact the Alternate Forms Coordinator at (916) 255-0649.

Did You Know?

California Unemployment Insurance Appeals Board (CUIAB) decisions are available on EDD's Internet site at www.edd.ca.gov/txprecdt/txpdind.htm.

³ Section 1088-1(a), Title 22, California Code of Regulations

Payroll Tax Deposit (DE 88) Coupon: Overview

Purpose	To submit deposits of State Disability Insurance (SDI) and California Personal Income Tax (PIT) withheld as required by law, pay employer taxes for Unemployment Insurance (UI) and Employment Training Tax (ETT), and pay penalty and interest on late deposits.
How to Obtain	<p><i>Payroll Tax Deposit</i> (DE 88) coupon booklets are mailed to employers by March. Newly registered employers will be mailed a DE 88 coupon booklet containing preprinted forms. The DE 88 coupons are barcoded with individual employer information. To ensure your tax payments are properly credited to your EDD employer account, use the preprinted DE 88 with your employer information. If you do not have a preprinted DE 88 and need to make a tax deposit, use a blank DE 88ALL coupon. Blank DE 88ALL coupons can be obtained from the Employment Tax Call Center at (888) 745-3886, or you may use the forms available on EDD's Internet site at www.edd.ca.gov/taxform.htm. If you are unable to obtain a DE 88ALL, send your tax payment with an informal deposit using the instructions on page 11. Do not borrow a coupon from another employer. Our computers read the EDD employer account number coded on the coupons and apply the payment accordingly. If you use another employer's coupon, your tax payment will be posted to their EDD employer account.</p> <p>To order additional DE 88 booklets, please use the tear-out reorder postcard in the back of the booklet or call our Account Services Group at (916) 654-7041. Please do not use the order form in this guide to order preprinted DE 88s.</p>
When Due	<p>Deposit due dates for SDI and PIT withholding are generally the same as federal deposit due dates. Refer to page 39 for detailed instructions for deposit due dates. The UI and ETT must be paid at least quarterly, regardless of when SDI and PIT withholdings are deposited.</p> <p>Employers who are not required to pay next banking day, semi-weekly, or monthly tax deposits during the quarter, must report and pay all UI, ETT, SDI, and PIT at the end of each quarter.</p> <p>Employers who choose not to make UI and ETT tax deposits during the quarter, must report and pay all UI, ETT, and any remaining SDI and PIT withholdings at the end of each quarter. For payroll tax deposit filing due dates and delinquency dates, please refer to "Due Dates for Quarterly Payroll Tax Deposits" on page 40.</p>
Payments	Please make checks/money orders payable to the Employment Development Department.
Mail to	Please use the preprinted envelope provided by EDD. If you do not have a preprinted envelope, send your DE 88 and payment to:

**Employment Development Department
P.O. Box 826276
Sacramento, CA 94230**

Please:

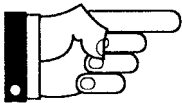
- Use black or blue ink
- Do not use red or purple ink
- Remove all stubs and vouchers from your checks
- Do not use staples, paper clips, or tape

TAX FORMS MOST FREQUENTLY USED

Payroll Withholding Deposits

Although employer UI and ETT taxes are due quarterly, SDI and California PIT withholdings taken from employees' wages may need to be deposited more often. State deposit due dates are generally the same as federal deposit due dates. Penalty and interest are charged on late deposits.

California Deposit Requirements				
If Your Federal Deposit Schedule is	And You Have Accumulated State PIT Withholding of	SDI & PIT Deposit Required	If Payday is	Delinquent if Not Deposited By
Next Banking Day	\$400 or less	No	Not applicable	Not applicable
Next Banking Day	More than \$400	Yes	Not applicable	Next Banking Day
Semi-Weekly	\$400 or less	No	Not applicable	Not applicable
Semi-Weekly	More than \$400	Yes	Wed., Thur., or Fri.	Following Wed.
Semi-Weekly	More than \$400	Yes	Sat., Sun., Mon., or Tue.	Following Fri.
Monthly	\$400 or less	No	Not applicable	Not applicable
Monthly	More than \$400	Yes	Not applicable	15th of the following month
Quarterly	Less than \$350	No	Not applicable	April 30, 2002 July 31, 2002 October 31, 2002 January 31, 2003
Quarterly	\$350 or more	Yes	Not applicable	15th of the following month



Note:

1. If a deposit due date falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next business day. For example, if a deposit is due on Friday, but Friday is a holiday, the deposit due date is extended to the following Monday.
2. The EFT transactions for next banking day deposits must be settled in the State's bank account on or before the third business day following the payroll date.
3. Once you make a next banking day deposit, you automatically become a semi-weekly depositor for the remainder of that calendar year and all of the following year.
4. Semi-weekly depositors always have three banking days after the end of the semi-weekly period to make a deposit. If any of the three weekdays after the end of a semi-weekly period is a holiday, you will have one additional banking day to deposit.
5. The EFT transactions for quarterly deposits must settle into the State's bank account on or before the business day following the due date. (Refer to page 40 for the timely settlement dates and page 34 for additional information regarding EFT.)

**Due Dates for
Quarterly Payroll
Tax Deposits**

Deposit using a *Payroll Tax Deposit (DE 88)* coupon

Tax payments due must be included with the DE 88 and mailed to EDD or remitted electronically by EFT. Please **use** the preprinted DE 88 coupons mailed to you. When your payroll tax deposits are mailed to EDD, the postmark date is used to determine timeliness. Penalty and interest **are charged** on late deposits. For DE 88 coupon filers, the filing due dates and delinquency dates for 2002 quarterly payroll tax deposits are as follows:

Reporting Period	Filing Due Date	Delinquent If Not Paid By
January, February, March	April 2, 2002	April 30, 2002
April, May, June	July 1, 2002	July 31, 2002
July, August, September	October 1, 2002	October 31, 2002
October, November, December	January 2, 2003	January 31, 2003

**Due Dates for
Quarterly Payroll
Tax Deposits
Using Electronic
Funds Transfer
(EFT)**

Deposit using EFT

The EFT transactions for quarterly UI and ETT payments and quarterly SDI and PIT payments must settle in the State's bank account on or before the timely settlement date. Please refer to the last column in the chart below.

2002 Quarterly EFT Payment Chart

Reporting Period	Taxes Due	Last Timely Date (initiate on or before)	Timely Settlement Date
January, February, March	April 2, 2002	April 30, 2002	May 1, 2002
April, May, June	July 1, 2002	July 31, 2002	August 1, 2002
July, August, September	October 1, 2002	October 31, 2002	November 1, 2002
October, November, December	January 2, 2003	January 31, 2003	February 3, 2003

To ensure timely settlement of your EFT payments, please note:

- The Automated Clearing House (ACH) **credit** transactions are processed based on individual bank requirements. Ask your bank what day you should report your payment to ensure a timely settlement date.

The ACH **debit** transactions must be reported by 3 p.m., Pacific time on or before the due date to ensure a timely settlement date.

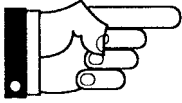
**Late Deposit,
Penalty, and
Interest**

When your tax and wage reports are mailed to EDD, the postmark date is used to determine timeliness. If the last timely filing date falls on a Saturday, Sunday, or legal holiday, the next business day is considered to be the last timely date. Penalty and interest **will be** charged on late payroll tax payments. If you are late sending your payment, penalty and interest can be paid using the same DE 88 coupon. Please contact the Employment Tax Call Center at (888) 745-3886 for assistance in calculating the interest due (the interest rate is reestablished every six months).

To avoid erroneous penalty and interest on late deposits, be sure your DE 88 includes your EDD employer account number, business name, address, telephone number, quarter to which the deposit applies, and the dollar amount to be applied to each payroll tax (UI, ETT, SDI, and PIT). Your check or money order should also include your business name and EDD employer account number. Please **use** the preprinted DE 88 envelope to mail your DE 88 and payment to EDD.

TAX FORMS MOST FREQUENTLY USED

Late Deposit, Penalty, and Interest (cont.)



For any questions or assistance, call the Employment Tax Call Center at (888) 745-3886.

Note: If you **do not** make timely payments, you will receive an *Employer Account Statement* (DE 2176) that provides details of the delinquent balance due. If the delinquency is not paid, a tax lien may be issued. If a tax lien is issued, it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.

Unavailability of forms is not "good cause" for delinquent filing or late payment of amounts due.

Penalty for Failure to Deposit Payroll Taxes

Employers are required to withhold payroll taxes and send them to EDD. Any person or employer who fails to do this, even by mistake, is guilty of a misdemeanor. If convicted, the person or employer can be fined up to \$1,000 or sentenced to jail for up to one year, or both, at the discretion of the court.

Lost Payroll Tax Deposit Coupon - Filing an Informal Report

If your *Payroll Tax Deposit* (DE 88) coupons are lost or damaged, request replacement coupons by calling the Employment Tax Call Center at (888) 745-3886, or use the forms available on EDD's Internet site at www.edd.ca.gov/taxform.htm. Do not use DE 88 coupons from another business as the account information is embedded in the barcode. Their account may be credited with your deposit. If DE 88 coupons cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges (refer to page 11 for instructions).

Quarterly Wage and Withholding Report (DE 6): Overview

Purpose

To report wages paid to employees and California Personal Income Tax (PIT) withheld and PIT wages for each quarter.

When Furnished

The *Quarterly Wage and Withholding Report* (DE 6) is mailed to employers during March, June, September, and December each year.

When Due

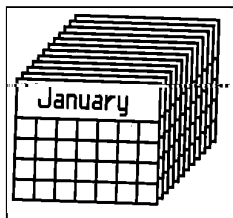
January 1, April 1, July 1, and October 1 each year (refer to the table on page 41 for last timely filing dates.) This report **must be** submitted **even** if no wages were paid during the calendar quarter. If the filing due date falls on a Saturday, Sunday, or legal holiday, then the filing due date is the next business day.

Mail to

Employment Development Department
P.O. Box 826288
Sacramento, CA 94230

Due Dates for the Quarterly Wage and Withholding Reports (DE 6)

The filing due dates and delinquency dates for 2002 *Quarterly Wage and Withholding Reports* (DE 6) are:



Report Covering	Filing Due Dates	Delinquent If Not Filed By
January, February, March	April 2, 2002	April 30, 2002
April, May, June	July 1, 2002	July 31, 2002
July, August, September	October 1, 2002	October 31, 2002
October, November, December	January 2, 2003	January 31, 2003



Note:

- A DE 6 must be filed **even** if no wages were paid during the calendar quarter. If you have no payroll during a quarter, you are still considered an employer and are required to sign and file a DE 6. Please enter "0" (zero) in each box in Item A and in Items M, N, and O of the Grand Total line. Check "Box C", sign, and date the report and send it to EDD.

Due Dates For The Quarterly Wage And Withholding Reports (DE 6)
(cont.)

- Wages are reported when they are **paid** to the employee, not when the employee earns the wages. Because UI and SDI benefits are determined by the highest quarter of wages, it is important that wages are reported for the correct quarter. If you have any questions regarding reporting employee wages, please contact the Employment Tax Call Center at (888) 745-3886.
- A wage item penalty of \$10 per employee will be charged for late reporting or unreported employee wages.
- If your reports are filed late or you **do not** make timely payments, you will receive an *Employer Account Statement* (DE 2176) that provides details of the delinquent balance due. If the delinquency is not paid, a tax lien may be issued. If a tax lien is issued, it will be recorded at the county recorder's office. Tax lien information is available to the public after it is recorded.

Lost Quarterly Wage and Withholding Report (DE 6) - Filing an Informal Report

If your DE 6 is lost or damaged, request a replacement form by calling the Employment Tax Call Center at (888) 745-3886, or use the forms available on EDD's Internet site at www.edd.ca.gov/taxform.htm.

If a form cannot be obtained prior to the delinquency date, file an informal report to avoid penalty and interest charges (refer to page 11 for instructions).

Employers with Multiple Locations - How to Report Wages by Location

Branch Code Reporting is provided for employers who need to designate, by location, where wages were earned. Under this reporting procedure, each location has a special code called a "branch code number." For more information and instructions on how to apply for this service, please contact Branch Code Reporting at (916) 654-9018.

Annual Reconciliation Statement (DE 7): Overview

Purpose

To reconcile deposits submitted during the year for Unemployment Insurance (UI) tax, Employment Training Tax (ETT), State Disability Insurance (SDI), and California Personal Income Tax (PIT) withheld, and to reconcile the total subject employee wages reported during the year, as required by law.

When Furnished

The *Annual Reconciliation Statement* (DE 7) is mailed to employers in December each year.

When Due

January 1 of the following year

Delinquent

If not filed by January 31 of the following year

Mail to

Employment Development Department
P.O. Box 826286
Sacramento, CA 94230

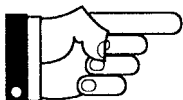
Preparing the Annual Reconciliation Statement (DE 7)

Employers are required to complete an *Annual Reconciliation Statement* (DE 7). The DE 7 must be postmarked by January 31, 2003, to be timely. If an employer fails to send a completed DE 7 to EDD, a penalty of \$1,000 or 5 percent of total annual taxes, whichever is less, may be assessed.

For assistance with completing the DE 7, please contact the Employment Tax Call Center at (888) 745-3886.

Year-end Payment Due

If "Line J" on the DE 7 shows payroll taxes **due**, prepare a DE 88 and include the correct payment quarter. Please send the DE 88 with the amount due to EDD using the preprinted DE 88 envelope. The DE 88 and payment **must** be mailed in a **separate** envelope from the DE 7.



Note: Mandatory EFT filers must remit all SDI and PIT deposits by EFT.

TAX FORMS MOST FREQUENTLY USED

Lost Annual Reconciliation Statement (DE 7) - Filing an Informal Statement

If your DE 7 is lost or damaged, request a replacement form by calling the Employment Tax Call Center at (888) 745-3886, or use the forms available on EDD's Internet site at www.edd.ca.gov/taxform.htm. If a form cannot be obtained prior to the delinquency date, file an informal statement to avoid penalty and interest charges (refer to page 11 for instructions).

Correcting Prior Payroll Tax Forms

Introduction

The EDD no longer reconciles employer accounts each quarter. This eliminates the need for employers to notify EDD of incorrect fund payments or allocations throughout the year. The chart below clarifies when EDD needs to be notified of adjustments and how adjustments are to be made.

Correcting Prior Payroll Tax Deposits (DE 88)

Reason for Adjustment	How to Make an Adjustment	Form to Use
Overpaid UI, ETT, SDI, or PIT on a <i>Payroll Tax Deposit</i> (DE 88) coupon prior to filing the <i>Annual Reconciliation Statement</i> (DE 7).	On the next DE 88 (for the same calendar year), reduce the fund(s). Do not show credits on the deposit coupon.	DE 88
Overpaid UI, ETT, SDI or PIT on a DE 88 prior to filing the DE 7 and it is not feasible to offset the overpayment against your next tax deposit.	File one <i>Tax and Wage Adjustment Form</i> (DE 678) for each tax deposit requesting a refund. This is for a refund prior to filing the year-end DE 7.	DE 678, complete sections I, II, III, and IV
Overpaid UI, ETT, or SDI only on a DE 88 after the DE 7 was filed.	File the DE 678 with correct information.	DE 678, complete sections I, II, III, and IV
Overpaid PIT on a DE 88 after the DE 7 was filed and the Form W-2 was issued to the employee.	Do not refund PIT overwithholdings to the employee. Do not change the California PIT withholding amount shown on the Form W-2. Do not file a claim for refund with EDD. The employee will receive a credit for the PIT overwithholdings when filing his/her <i>California Income Tax Return</i> (Form 540) with the Franchise Tax Board.	None
Underpaid UI, ETT, SDI, or PIT on a DE 88 prior to or after filing the DE 7.	File a DE 88 and pay the amount due, including penalty and interest.	DE 88 indicating the quarter to credit
Allocated the wrong amounts to specific funds on a DE 88.	Do not file a correction form. We will make the necessary adjustments at the end of the year when your DE 7 is filed.	None

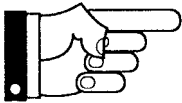
Correcting Prior Payroll Tax Deposits (DE 88)
(cont.)

When **written permission** is obtained from the employee, you are authorized to adjust any over- or underwithholding of California PIT from the employee if the adjustment is made within the same calendar year and before the IRS Form W-2 is issued. You should obtain a receipt from the employee whenever a credit adjustment or repayment of overwithheld tax is made.

Overwithheld California PIT must be credited or refunded to your employee **before** you can take a credit or receive a refund from EDD. This overpayment can be adjusted in one of the following ways:

- If you have issued an IRS Form W-2 to an employee, you **cannot** adjust any overwithholding of PIT reported. Employees will receive credit for any overwithholding when they file their California State income tax returns with the Franchise Tax Board (FTB).
- If you have issued IRS Form W-2 showing the wrong amount, you must issue an IRS Form W-2C to the employee. **Do not** send the State copy of the IRS Form W-2C to EDD or FTB.

Note: A claim for credit or refund must be filed **within three years** of the delinquent date for the quarter being adjusted. A **separate** DE 678 must be filed for each tax deposit that requires adjusting.



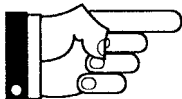
Correcting Prior Payroll Tax Deposits Made by Electronic Funds Transfer (EFT)

Reason for Adjustment	How to Make an Adjustment	Form to Use
Overpaid UI, ETT, SDI, or PIT on an Electronic Funds Transfer (EFT) prior to filing the DE 7.	On your next EFT transaction, reduce the fund(s). Do not show credits on an EFT transaction.	EFT transaction*
Underpaid UI, ETT, SDI, or PIT on an EFT prior to filing the DE 7.	Initiate two separate EFT transactions, one for the delinquent fund(s) and another for the calculated penalty and interest amount. Indicate the delinquent quarter.	EFT transaction*

* Mandatory EFT filers are subject to noncompliance penalty if a SDI/PIT deposit is paid by check with a DE 88 coupon.

Correcting Prior Quarterly Wage and Withholding Reports (DE 6)

Reason for Adjustment	How to Make an Adjustment	Form to Use
Incorrect employee Social Security number (SSN) or name reported on the <i>Quarterly Wage and Withholding Report</i> (DE 6).	File a <i>Tax and Wage Adjustment Form</i> (DE 678) with the correct SSN and/or name.	DE 678, complete sections I and V
Incorrectly reported wages or PIT information for employees previously reported.	File a DE 678 listing the correct wages and/or PIT information.	DE 678, complete sections I and V Note: If DE 7 has been filed, also complete section III.
No SSN reported for employee on the DE 6.	File a DE 678 with the SSN.	DE 678, complete sections I and V
Failed to include wages or PIT information on employees not previously reported to EDD.	File a DE 678 reporting the employees, their SSNs, total subject wages, PIT wages, and PIT withheld.	DE 678, complete sections I and V Note: If DE 7 has been filed, also complete section III.

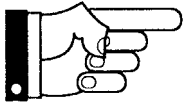


Note: A **separate** DE 678 must be completed for **each** quarter.

TAX FORMS MOST FREQUENTLY USED

Correcting Prior Annual Reconciliation Statements (DE 7)

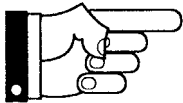
Reason for Adjustment	How to Make an Adjustment	Form to Use
Provided incorrect UI, ETT, SDI, and/or PIT information on the DE 7.	File a DE 678 with the correct information.	DE 678, complete sections I, III, and IV If taxes are due, send a payment for the contribution amount plus penalty and interest along with the DE 678. (Do not send a DE 88 with the payment.)
Underpaid payroll taxes for the year.	Send DE 88 with payment in separate envelope from DE 7.	Complete DE 88 indicating the quarter to credit.



Note: A claim for credit or refund **must be filed within three years** of the delinquent date for the year being adjusted.

Additional Information

The DE 678 was designed to make it easier for you to report corrections for tax deposits and employee wage information previously reported. Detailed instructions are provided on the *Instructions for Completing the Tax and Wage Adjustment Form* (DE 678I). If you have any questions about when or how to use the form, adjusting previously reported payroll taxes or wages, or to obtain forms, please call the Employment Tax Call Center at (888) 745-3886.



Note:

- Employers who pay taxes using a *Quarterly Contribution Return* (DE 3D) for Voluntary Plan DI reporting or a *Quarterly Contribution Return For School Employers* (DE 9423) should use the *Quarterly Adjustment Form* (DE 938 or DE 938 SEF) to make corrections to previously submitted reports.
- Employers are required to compute and report taxes owed to the nearest penny. **Do not** round off taxes to the nearest dollar amount.

Employer Account Statement (DE 2176)

The *Employer Account Statement* (DE 2176) is used to inform employers of current and outstanding liabilities, assessments, form delinquencies, payments, and the status of their account balance when taxes are due. If there is a difference between the amounts shown on your DE 88 and tax payments or your DE 7 and tax payments, and/or our records show that you have a delinquent tax or wage form, we will mail a DE 2176 to you.

Did You Know?

No-Fee Internet Job Listings: Employers can now access thousands of resumes and enter their own job listings directly from their place of business by using CalJOBSsm, a no-fee, Internet-based job matching service offered by EDD. The CalJOBSsm can save employers considerable time and expense searching for qualified workers.

You can register on line at www.caljobs.ca.gov, by contacting your local EDD Job Service site, listed in the white pages under "State Government."

UNEMPLOYMENT INSURANCE PROGRAM

UI Tax Program Purpose

The purpose of the Unemployment Insurance (UI) program is to provide financial assistance to people who are temporarily out of work through no fault of their own. In California, this program is financed entirely by employers through a payroll tax based on the first \$7,000 in wages paid to each employee each year. Employers are required to pay their accumulated UI taxes four times a year.

Experience Rating Method of Paying for UI Benefits

The **experience rating method**, described in "New Employer UI Tax Rates" (see page 47), is the method used by the majority of employers. Public employers and nonprofit organizations have the option of becoming "reimbursable" employers.

For a detailed explanation of the experience rating method of paying for UI benefits, request *Information Sheet: California System of Experience Rating* (DE 231Z). You may obtain the information sheet by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand at (877) 547-4503, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

Reimbursable Method of Paying for UI Benefits

Public Employers and certain nonprofit organizations have the option of becoming "reimbursable" employers. Employers electing the **reimbursable method**, also known as the cost-of-benefits method, are required to reimburse the UI fund on a dollar-for-dollar basis for all benefits paid to their former employees and charged to their accounts. Reimbursable employers are billed quarterly, and payment is due within 30 days from the statement date.

For public employers, financing under the reimbursable method **must** remain in effect for **two** complete calendar years. For nonprofit employers, financing under the reimbursable method **must** remain in effect for **five** complete calendar years. Employers who terminate their reimbursable coverage remain liable for UI benefits paid to their former employees covered under this program for a period of **three** calendar years.

For a detailed explanation of the reimbursable method of paying for UI benefits, request *Information Sheet: Nonprofit and/or Public Entities* (DE 231NP) and *Potential Liability Under the Reimbursable Method* (DE 1378F). You may obtain these information sheets by contacting the Employment Tax Call Center at (888) 745-3886, accessing EDD's Internet site at www.edd.ca.gov/taxform.htm, or using the order form on page 129. For additional information, please contact:

Employment Development Department
Reimbursable Accounting Group, MIC 19
P.O. Box 826880
Sacramento, CA 94280

(916) 653-5846

School Employees Fund Method of Paying for UI Benefits

Public school districts (kindergarten through 12th grade) and community colleges may elect to participate in the **School Employees Fund (SEF)**, which is a special reimbursable financing method available for school districts. For further information, call the SEF Unit at (916) 653-5380.

How The UI Tax Rate Is Determined

Tax Rate Schedules

The UI tax rates are based on one of seven tax rate schedules (AA through F) established by law. The first step in the annual process of establishing the UI tax rates for the calendar year is for EDD to determine which of the seven tax rate schedules will be in effect. All employers are assigned UI tax rates from the same rate schedule each calendar year.

UNEMPLOYMENT INSURANCE PROGRAM

New Employer UI Tax Rate and Reserve Account

An UI reserve account is set up when an employer registers with EDD. Generally, the new employer UI tax rate is 3.4 percent (.034) for the first three years. In the fourth year, the UI tax rate is calculated based on each employer's previous experience. All UI taxes paid, taxable payroll reported, UI benefit charges, and prorated credits and charges to the UI reserve account are used to establish each employer's individual UI tax rate.

If a new employer buys an established business, he/she has the option of acquiring the previous owner's UI tax rate. Please see the "Reserve Account Transfers" section for additional information.

Notice of Tax Rates

Each December, EDD notifies employers of their UI, ETT, and SDI tax rates and taxable wage limits for the upcoming year by sending a *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088). Rate information can also be obtained by calling the Contribution Rate Group's 24-hour automated call system at (916) 653-7795.

Reserve Account Transfers

When an employer acquires all or part of an ongoing business, the employer may request the previous owner's UI reserve account balance be transferred to the new ownership. If the transfer is approved by EDD, the UI tax rate will be redetermined and may result in an immediate rate reduction. The application for transfer will automatically be returned if the transfer will increase the current UI tax rate. The new owner has the option to accept the rate increase or to continue at their present rate.

For further information regarding reserve account transfers, please contact the Contribution Rate Group at (916) 653-7795.



Note:

- If a UI reserve account transfer has been approved, the employer receiving the transfer will be notified of the appropriate UI tax rate for the remainder of the year.
 - Employers who receive a reserve account transfer accept responsibility for the unemployment insurance benefit charges for the previous owner's former employees. This may **increase** your UI tax rate in future years.
 - A reserve account transfer cannot be reversed once it has been completed.
-

Data Exchange Alternatives Magnetic Media

Employer agents, accountants, and bookkeepers may obtain their clients UI tax rates on magnetic tape or diskettes. Employers and their representatives may also obtain benefit charges on magnetic media.

To obtain information about magnetic media regarding UI tax rates or benefit charges, contact:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

(916) 653-7795

How to Appeal Your UI Tax Rate

Any item on the *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088) can be protested, except the SDI and ETT tax rates, which are set by law. The protest must be filed in writing within 60 days of the mail date shown on the notice, unless an extension is requested and approved for "good cause." When filing a protest, you must include your employer account number, the specific item(s) you are protesting, and why you are protesting the tax rate. Mail your protest to:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

How to Appeal Your UI Tax Rate (cont.)

You may call (916) 653-7795 for additional information.

If a protest has been denied by EDD, an appeal may be filed with the California Unemployment Insurance Appeals Board. All denials will include instructions on how to file an appeal.

Voluntary UI Contributions

A voluntary UI contribution is an additional payment to your UI reserve account for the purpose of reducing your UI tax rate for that year. It is a one-time payment and is nonrefundable. **Before** considering a voluntary UI payment, employers need to determine if an additional payment, plus the quarterly UI tax payments they would pay during the year, will actually be less than making quarterly UI tax payments at the UI tax rate originally assigned by EDD.

The voluntary contribution option is available only when contribution rate schedules AA through D are in effect. The EDD sends a *Voluntary UI Contribution Notice* (DE 2088A) along with a worksheet to help employers determine if they would benefit from making a voluntary UI payment. For assistance in completing the worksheet or for additional information, please contact the Contribution Rate Group at (916) 653-7795.

If you decide to make a voluntary UI payment, please send in the DE 2088A stub along with your payment. This will ensure that your payment is properly applied to your account.

Statement of Charges

A *Statement of Charges to Reserve Account* (DE 428T) is mailed to you in October of any year that former employee(s) received UI benefits charged to your reserve account. This statement is an itemized list of charges to your reserve account and covers a one-year period from July 1 through June 30. The statement reflects UI benefits paid to former employees who were eligible to receive them. If you acquire all or part of another business and choose to receive the reserve account transfer, you may be responsible for the benefit charges for the previous owner's former employees.

How to Protest Your Statement of Charges

You should protest charges to your reserve account if you:

- Disagree with any of the charges.
- Responded to a claim notice more than three months ago, and have not received a response from the Department.

Your protest to the DE 428T will be denied if:

- You failed to respond timely to the original claim notice *Notice of Claim Filed* (DE 1101CZ) or *Notice of Wages Used for Unemployment Insurance Claim* (DE 1545).
- The basis of your objection is the claimant should not have been allowed to draw benefits.

If benefit charges appear on your statement that involve a pending appeal, you do not need to file a protest. If you receive a favorable decision, the charges will be removed from your reserve account.

Your protest must be in writing and postmarked within 60 days from the mail date on the *Statement of Charges*. To expedite the processing of your protest, please use the suggested format in the instructions included with the DE 428T.

If you have a favorable ruling stating your reserve account is not subject to charges, please include a copy with your protest.

You may request a 60-day extension to file a protest. The extension request must be in writing and must show "good cause" for requesting additional time.

UNEMPLOYMENT INSURANCE PROGRAM

How to Protest Your Statement of Charges (cont.)

Mail your protest or request for an extension to:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

Due to the volume of protests received, it may be three to nine months before you receive an answer to your letter. If the protest is allowed, the charges will be removed and you will receive an amended *Notice of Contribution Rates and Statement of UI Reserve Account* (DE 2088). If the protest is denied, you will receive information on your appeal rights. An appeal may be filed with the California Unemployment Insurance Appeals Board after a protest has been denied by EDD.

Tips for Reducing Your UI Tax Rate

Some steps that you can take as an employer that may help to reduce your UI tax rate include:

- Maintaining a stable workforce. High employee turnover increases the potential for benefits to be charged to your reserve account. This could also save UI taxes since you pay on the first \$7,000 of wages for each employee.
 - Submitting your UI payments within the required time limits, along with accurately completed *Payroll Tax Deposit* (DE 88) coupons to ensure your payments are included in calculating your UI tax rate for the following year.
 - Conducting and documenting exit interviews to help you to know why an employee is leaving. This may result in changes to company policies or procedures that will assist you in retaining your employees.
 - Permitting leaves of absence may help keep fully trained personnel.
 - Keeping good personnel records to justify any action taken. Give written warnings prior to discharging an employee and keep a copy of these written notices and other supporting information.
 - Contesting UI claims for benefits for prior employees who you believe are not eligible for benefits (i.e., employee voluntarily quit or was discharged for misconduct, etc.). Written documentation of the exit interview may be important in establishing your protest.
 - Answering UI claim notices promptly, accurately, and in detail.
 - Rehiring former employees who are currently receiving UI benefits that may be charged against your reserve account.
 - Reporting refusals of work to EDD.
 - Providing clear, specific answers to telephone interview questions from EDD personnel.
 - Auditing the DE 428T and reporting inaccuracies within the protest time limits.
 - Bringing witnesses with first hand knowledge of pertinent facts when attending a hearing.
-

Unemployment Insurance Benefit Program Administration

How Benefits are Paid

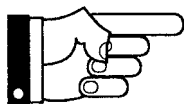
The California UI program is funded through taxes paid by employers. These taxes are placed in the Unemployment Insurance Fund, from which benefits are paid to qualified claimants. The individual reserve account established for each employer has no monetary value. The reserve account is an accounting device used to keep track of payments and charges made against the employer's account to determine their UI tax rate annually. For additional information, please refer to "New Employer UI Tax Rate" on page 47.

Benefit Award

The maximum amount of UI benefits payable to a claimant during a benefit year is 26 times his or her weekly benefit amount, or one-half total base period earnings, whichever is less. The benefit year is a 52-week period starting on the effective date of a new UI claim. After establishing a benefit year, a claimant who interrupts his or her claim (by returning to work, being unavailable for work, etc.) may again claim benefits by filing an additional or reopened claim during the benefit year. The base period on which the level of benefits is determined is a 12-month period that is determined by the effective date of a UI claim. The quarter in which the claimant earned the highest wages determines the weekly benefit amount received.

Benefit Award (cont.)

- The maximum weekly UI benefit award is \$330.
- The minimum weekly UI benefit award is \$40.
- The maximum amount that can be charged to a reserve account is \$8,580 per employee claiming benefits.



NOTE: The maximum amount an employer can be charged on a regular claim is \$8,580. In addition, an employer's reserve account may also be subject to charges for benefits paid on a Training Extension (TE) claim. Claimants who have been approved for California Training Benefits may be eligible for a TE claim. A claimant with a TE claim is eligible to receive a maximum of 52 times his or her weekly benefit amount on the regular claim, which includes the maximum benefit award of the regular claim.

UI Benefit Qualifications

To be eligible for UI benefits, claimants must:

- Be unemployed through no fault of their own.
- Be totally or partially unemployed and registered for work with EDD, as required.
- Be physically **able to work** in their usual occupation, or in other work for which they are reasonably qualified.
- Be **available for work**, which means ready and willing immediately to accept suitable work in their usual occupation, or in an occupation for which they are reasonably qualified.
- Be actively **seeking work** on their own behalf.
- Have received a minimum amount of wages during the base period. (For additional information, please refer to "Qualifying UI Wages" on page 51.)
- Comply with regulations in regard to filing claims.

Once a claim is filed, a claimant may be ineligible for UI benefits if he or she:

- Was discharged for misconduct connected to his or her work. (Proof of discharge for misconduct rests with the employer.)
- Voluntarily quit without "good cause" (includes quitting for personal reasons, to go to school or to move).
- Files a UI claim during a recess period, if he or she worked for a school and has reasonable assurance of returning to work for a school employer.
- Refused suitable work without good cause.
- Failed to take part in reemployment services.
- Failed to apply for a job when referred by a public employment office.
- Failed to make reasonable efforts to get work.
- Made false statements or withheld information for the purpose of claiming UI benefits.
- Is not legally entitled to work in the U.S.
- Is not able to work or is not available for work.
- Is working full-time or has earned wages amounting to \$26 or more during the weeks claimed.

An individual is not eligible for UI benefits if he or she voluntarily left work because of a trade dispute. Because EDD must decide whether a claimant is disqualified from receiving benefits in a trade dispute situation, certain facts are needed. During a trade dispute, regulations require employers to respond to notices from EDD.

Certain types of employees are not covered for UI benefits. For additional information, please refer to the "Types of Employment" table on page 67 and "Types of Payments" table on page 77.

UNEMPLOYMENT INSURANCE PROGRAM

Qualifying UI Wages

To have a valid UI claim, individuals must have earned:

- \$1,300 or more in **covered employment** in one quarter of the base period.

or

- \$900 or more in **covered employment** in the base period quarter with the highest earnings, and earned at least 1.25 times the high quarter earnings during the entire base period.

Certain types of payments made to employees are not considered covered employment (wages) for UI purposes. For additional information, refer to the "Types of Payment" tables on page 77. The table shows if certain types of jobs and types of income are taxable for UI. If the table shows that a job or type of income is "not subject" to UI tax, then that income is excluded towards establishing a UI claim.

UI Eligibility Determination

The EDD schedules fact-finding interviews when there are eligibility questions regarding a claim. Our staff will talk to the claimant, employer, and anyone else necessary to make a decision. Based on the decision, benefits will either be paid or denied. If benefits are denied, a notice will be issued to the claimant. If the employer responds timely and addresses the issue, a notice will also be sent to him or her.

The UI Claims Process – Notices to Employers

A *Notice of Unemployment Insurance Claim Filed* (DE 1101C/Z) is mailed to the last employer when a former employee files a new UI claim or an existing claim is reopened.

Public entity employers and their agents may elect to have the notice of new or additional claim filed sent to a designated single address. Requests for designation of a single address should be sent to:

**Employment Development Department
Unemployment Insurance Division, MIC 40
P.O. Box 862880
Sacramento, CA 94280**

Fax: (916) 654-8117

A *Notice of Wages Used for Unemployment Insurance (UI) Claim* (DE 1545) is mailed to all base-period employers after a claimant receives the first UI payment. This notice informs each employer of the amount of potential charges to their UI reserve account for this claim because all or part of the benefits paid may be charged to the employer's UI reserve account.

Data Exchange Alternative: Electronic Data Interchange (EDI)

Employers, employer agents, accountants, and bookkeepers may obtain the DE 1545 electronically. To obtain information about Electronic Data Interchange please contact:

**Employment Development Department
Contribution Rate Group, MIC 4
P.O. Box 826880
Sacramento, CA 94280**

(916) 654-8690

Responding to Notices

Employers do not need to respond to the DE 1101C/Z or the DE 1545 if:

- The employee has been laid off for lack of work, and
- You have no knowledge of information which might affect the individual's eligibility for UI benefits, **and**
- The employee's name and Social Security number are correct.

If you believe the claimant is not entitled to benefits, it is important to protest in writing when the first notice is received. Your response must include any facts that may affect the claimant's eligibility for UI benefits or the potential liability of your UI reserve account for benefits paid to the claimant.

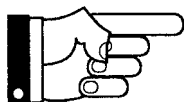
Instructions are included with these claim forms detailing what the protest should contain and where to mail it. Protests may be written on the claim form itself or be included in a separate letter containing the following information:

- Employer's account number, name, and address
- Claimant's name and Social Security number
- Beginning date of the claim
- Date of separation from employment
- Dates of separation(s) and rehire(s) during the quarters shown on the DE 1545
- Information supporting your belief of the claimant's ineligibility. (See page 50 for a list of disqualifying events.) Protests should include specific facts and circumstances, not general statements (e.g., "employee was fired for misconduct" should be supported with specific events and documentation). This will result in better eligibility decisions based on the facts.
- A protest to the DE 1545 should also include separation information relevant to why the employee left your employment. If the wage information listed on the DE 1545 is incorrect, please inform EDD in writing at:

**Employment Development Department
Claims Group 1, MIC 16
P.O. Box 826880
Sacramento, CA 94280**

Include the following information with your correction of wage information:

- Employer's account number, name, and address
 - Claimant's name and Social Security number
 - Beginning date of the claim
 - Correction to the wage information. Please provide supporting documentation to the correction, such as a copy of the *Quarterly Wage and Withholding Report* (DE 6) or the *Tax and Wage Adjustment Form* (DE 678).
 - Name, signature, and telephone number of the employer representative preparing the wage correction.
 - Date of the wage correction
- The protest should be signed by the person having personal knowledge of the facts, or access to records containing the facts.



Note: If a written protest is not submitted, rights to protest your UI reserve account's potential liability for benefits paid to the claimant and your rights to appeal are waived.

Subsequent Benefit Year

If you receive a notice that a subsequent benefit year has been established, you must resubmit any facts you furnished on the initial DE 1101C/Z to be entitled to a determination and/or ruling based on such facts for the later benefit year.

UNEMPLOYMENT INSURANCE PROGRAM

Protest Time Limits

Protest Time Limits	
Protest to:	Postmarked within:
<i>Notice of Unemployment Insurance Claim Filed</i> (DE 1101C/Z)	10 calendar days of the mailing date.
<i>Notice of Wages Used for Unemployment Insurance (UI) Claim</i> (DE 1545)	15 calendar days of the mailing date for separation information. 20 calendar days of the mailing date for wage information.



NOTE: If you respond late to a Department notice, explain the reason for the delay as the above time limits may be extended for good cause. If the reason is determined not to be for good cause, a *Response To Employer Communication* (DE 4614) will be issued. This form can be appealed if you do not agree with the determination.

False Statement Penalty

An employer may be assessed a cash penalty from 2 to 10 times the claimant's weekly benefit amount if it is determined that the employer, employer representative, employer officer, or employer agent willfully made a false statement, representation, or failed to report a material fact concerning the claimant's termination of employment.

An employer may be assessed a penalty, in an amount equal to 100 percent of UI benefit overpayments and penalties charged to a claimant(s), resulting from the employer influencing or persuading his or her employee(s) to file a false or fraudulent claim for UI benefits.

If you are not in agreement with the *Notice of Assessment*, you may file a *Petition for Reassessment* to an administrative law judge (ALJ) of the California Unemployment Insurance Appeals Board (CUIAB). The CUIAB, established separate and apart from the EDD, reviews, hears, and renders impartial and independent decisions in tax and benefit matters related to the CUIC.

Prepare an original and a copy of the petition. The petition may be informal but must be in writing and should:

1. Show your EDD employer account number and the date of the assessment. (For faster processing, enclose a copy of the *Notice of Assessment* with your petition.)
2. Provide claimant's name and social security number.
3. Clearly indicate that it is a "Petition for Reassessment."
4. Describe the reason for the petition and specify the facts or grounds for requesting a reassessment.
5. Be signed by you or your authorized agent.
6. State your address or that of your agent, if any.

To be timely, the petition must be mailed or delivered to the office shown below **within 30 days** from the date of assessment. The time to protest can be extended by an ALJ for not more than 30 days, but **only** if "good cause" for the delay is shown. Mail or deliver the original and a copy of your petition for reassessment to:

**Office of the Chief Administrative Law Judge
California Unemployment Insurance Appeals Board
2400 Venture Oaks Way, 1st Floor, Suite 150
Sacramento, CA 95833**

Notices of Determination, Ruling, or Modification

You can receive one of the following notices in reply to eligibility issues you reported on the DE 1101C/Z or the DE 1545:

- *Notice of Determination* (DE 1080CT) — Sent to an employer who responds timely with eligibility information.



Note: A determination for other than a separation issue (quit or discharge) does not relieve benefit charges to your reserve account.

- *Notice of Determination/Ruling* (DE 1080CT) – Sent to a tax-rated employer who responds timely to a DE 1101C/Z with eligibility information regarding a voluntary quit or discharge. The ruling portion of this notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
- *Notice of Ruling* (DE 1080CT) – Sent to a tax-rated employer who responds timely to a DE 1545 with separation information. The separation must have occurred during the base period of the claim. This notice informs the employer whether or not the reserve account will be charged for UI benefits paid.
- *Notice of Modification* (DE 1080M) – Sent to the employer who previously received a DE 1080CT stating that the claimant was disqualified. The purpose of this form is to inform the employer that the claimant's disqualification period is over.
- *Employment Development Department Appeal Form* (DE 1000M) – This form is enclosed with all DE 1080s.



Note: Employers who finance UI coverage under one of the reimbursable financing methods receive *Notices of Determination*, but do not receive *Notices of Ruling* because they do not have a UI reserve account.

UI Benefits - Appeals Process

The appeals process is administered by a separate, independent agency – the California Unemployment Insurance Appeals Board (CUIAB). The CUIAB consists of seven members appointed by the State Legislature and the Governor. There are two levels of appeal: the first step is an appeal to an ALJ; the second is to the CUIAB.

Administrative Law Judge – Appeals Process

If an employer disagrees with the final decision made by EDD, he or she has the right to appeal the decision to an ALJ. The appeal must be made within 20 calendar days of the mailing date of EDD's DE 1080CT or DE 1080M. Request an appeal by writing a letter to EDD at the return address on the DE 1080CT or DE 1080M. The letter should include the employer's address, telephone number, employer reserve account number (if applicable), and the reason for the appeal. The letter should also include the claimant's name and Social Security number.

The parties will be notified of the time and place of the hearing at least 10 days in advance. The ALJ will conduct an informal hearing, giving both sides the opportunity to present their evidence. The CUIAB provides the following two publications to help in preparing for UI appeals hearings:

- *Unemployment Appeals - A Guide for Claimants, Employers, and Their Representatives* (DE 1434) and
- *Appeals Procedure* (DE 1433)

For copies of these publications, write to the address on page 127.

The written decision of the ALJ is mailed to the parties, setting forth the evidence presented and the reasons for the ALJ's decision. Information describing your rights to appeal an adverse decision to the CUIAB will also be included.

UNEMPLOYMENT INSURANCE PROGRAM

California Unemployment Insurance Appeals Board (CUIAB) – Appeal Process

If you disagree with the ALJ's decision, your next step is an appeal to the CUIAB. You have **20 calendar days** from the date of the ALJ's decision to appeal. Appeal request forms are available from the CUIAB, but either party may simply write a letter identifying the parties, the case number, and relating all facts and arguments on which the appeal is based. Mail or deliver the appeal request to your local office of appeals listed in your telephone book under "State Government, Appeals Board - Unemployment Insurance."

The CUIAB will confirm receipt of the appeal and advise both parties of the procedural options available to them. The parties have 10 days from receipt of the notice to request a written or oral argument. Since the purpose of an appeal to the CUIAB is to have the Board review the decision of the ALJ, the acceptance of any additional evidence is at the Board's discretion.

The Board will issue a written decision. At this time, all administrative remedies have been exhausted. If a party disagrees with the Board's decision, an appeal may be made to the Superior Court.

Appeal Time Limits

Appeal Time Limits	
Appeal from an:	Appeal within:
EDD determination or ruling	20 calendar days of the mailing date
ALJ's decision	20 calendar days of the mailing date

Benefit Audits to Determine Fraud

Each quarter, as part of EDD's fraud detection efforts, *Benefit Audit Forms* (DE 1296B) are mailed to employers requesting wage information for specific weeks that their employees may have worked.

The benefit audit identifies individuals who may have improperly received UI benefits for weeks in which they actually worked and had earnings. The audit process leads to the recovery of unauthorized benefit payments and the reversal of related charges to the employer's reserve or reimbursable account.



Note: Employers are required by law to respond to the audit process. Your cooperation is essential to detect fraud and to protect the integrity of the UI program.

Questions or comments about the benefit audit process should be sent to:

**EDD, Overpayment Program
Group Manager, MIC 16A
P.O. Box 2228
Rancho Cordova, CA 95741**

**(916) 464-2350
Fax: (916) 464-2550**

Back Pay Award

Employees who received UI benefits and later receive back pay awards or settlements for the same period, must repay EDD an amount equal to the UI benefits received. **At the employer's request**, the UI office will determine the amount of the UI benefits to be repaid. An overpayment will be established, and the claimant and employer will be notified. ("Employer" refers to both tax-rated and reimbursable employers.)

If the back pay award agreement states that the employer shall withhold overpayment amounts from the back pay award or settlement, the employer is responsible for submitting the amount withheld to EDD to clear the overpayment. The reimbursable employer will receive a credit against the future charges **only** after the liability has been paid. For further information, contact:

**Employment Development Department
Backpay Awards Coordinator, MIC 8, OARG
P.O. Box 826806
Sacramento, CA 94280**

(916) 464-2333

Layoff Alternatives**Partial UI Claims**

A partial UI claim can be used for any claimant who meets the requirements for partial employment status. The claimant must work less than normal full-time hours because of lack of work. If the claimant has no wages (does not work) for two consecutive weeks, the claim changes to a regular UI claim. Participation in this program may increase the employer's UI tax rate.

For more information about partial UI claims, please call one of the toll-free UI telephone numbers on page 2.

Work Sharing Program

The work sharing program is available to employers who reduce employee wages and hours as an alternative to a temporary layoff. The affected work force or work unit(s) must consist of two or more employees. At least 10 percent of the total work force or 10 percent of the specified work unit(s) must participate in the program. The employer must sign a six-month work sharing plan with EDD. If, during the period of the plan, the employer does not meet the work sharing requirements, the business will be taken off the program. Participation in this program may increase the employer's UI tax rate. If you are interested in participating in the program or would like additional information, contact:

**Employment Development Department
Special Claims Office
P.O. Box 269058
Sacramento, CA 95826**

**(916) 464-3300
Fax: (916) 464-3342**

Notice of Layoff

Employers with at least 100 employees who plan plant closures or mass layoffs of 50 or more full-time employees during any 30-day period at a single site of employment must give affected employees at least 60 days written notice. Please refer to "Plant Closures and Mass Layoffs" on page 30 for additional information.

Wage Notices

In the event of a layoff or business closure involving ten or more employees, the Multi-claimant Determinations Unit will investigate and transmit Electronic Wage Notices (EWNs) to local UI offices, authorization centers, adjustment centers, and Employment Tax Customer Service Offices. The EWNs transmit wage findings (e.g., findings on in lieu of notice pay, bonuses) to ensure consistent determinations when several employees may be affected by the same set of facts.

North American Free Trade Agreement (NAFTA)

The North American Free Trade Agreement (NAFTA) Implementation Act of 1993 amended the Trade Act of 1974 to establish the NAFTA - Transitional Adjustment Assistance (NTAA) program. This program provides training, weekly income support while in training, job search assistance, and relocation assistance to individuals who are out of work because their employer transferred production to Canada or Mexico, or because of increased imports from those countries. Workers may contact any local EDD Job Service Office to obtain an application *Petition for NAFTA Transitional Adjustment Assistance* (ETA 9042) or call one of the toll-free UI telephone numbers listed on page 2.

Trade Adjustment Assistance

The Trade Adjustment Assistance program was established under the Trade Act of 1974 to help American workers who have lost work as a result of increased imports. Eligible workers receive Trade Readjustment Allowance during periods of unemployment. The program also provides training, job search assistance, and relocation assistance. Workers may contact any local EDD Job Service Office to request an application *Petition for NAFTA Transitional Adjustment Assistance* (ETA 9042) or call one of the toll-free UI telephone numbers listed in the directory on page 2. Workers may file the application directly with the U.S. Department of Labor's Office of Trade Adjustment Assistance. For information on how to contact the Department of Labor, contact one of the toll-free UI telephone numbers listed on page 2.

STATE DISABILITY INSURANCE (SDI)

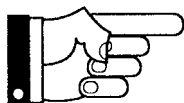
Purpose The State Disability Insurance (SDI) program provides benefits to eligible workers experiencing a loss of wages when they are unable to perform their regular or customary work due to a nonoccupational illness or injury, or disability resulting from pregnancy or childbirth.

Message to Employers The SDI program is meeting the changing needs of California workers and employers by changing its services as shown in the following table.

Customer Service	The SDI program has a statewide toll-free number for customers to use to obtain basic program and benefit coordination information seven days a week, 24 hours a day. The toll-free telephone number is (800) 480-3287.
Claims Management	The SDI program has revised the <i>Claim for State Disability Insurance (SDI) Benefits Form</i> (DE 2501) to gather more information from employees at the beginning of the claim. The information provided by the employee on the DE 2501 enables SDI to practice timely disability claim management.

SDI Taxes - Who Pays for SDI Coverage?

The SDI program and its administration are funded entirely by employees through wage withholdings. Although disability coverage is mandatory, employers may choose either a State plan or a voluntary plan to cover their employees (refer to "Voluntary Plan For Employees" on page 58 for more information). Those employees not choosing a voluntary plan are covered under the State plan. The SDI tax rate for 2002 was not available at the time this guide was published. Please call EDD's 24-hour Automated Call System at (916) 653-7795 or access our website at www.edd.ca.gov/taxrte9x.htm for the SDI tax rate.



Note: When a worker has more than one employer during a calendar year, it is possible that excess SDI taxes can be withheld from the worker's wages. Workers should request a refund of excess SDI withholdings on their *California Income Tax Return* (Form 540).

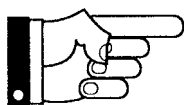
The SDI tax rate may be adjusted annually to not more than 1.3 percent (.013) nor less than 0.1 (.001) percent depending on the balance in the SDI fund. Employee contributions withheld are paid by the employer to either the SDI Fund or a Voluntary Disability Insurance (DI) Plan (see page 58).

Employee Benefits Eligible claimants may qualify for SDI benefits for each occurrence of disability. The *State Disability Insurance Provisions Pamphlet* (DE 2515) and *Claim for State Disability Insurance (SDI) Benefits Form* (DE 2501) contain eligibility information. **All** California employers who have employees subject to SDI taxes are required to give a DE 2515 pamphlet to each new employee. The California Unemployment Insurance Code requires employers provide general program information to each employee leaving work due to a nonoccupational illness or injury, or disabilities resulting from pregnancy or childbirth. The pamphlet and application are provided to employers at no cost. Additional copies may be ordered by completing the order form on page 127.

Claim Notices When an SDI claim is filed, the employer(s) shown on the SDI claim form will receive a *Notice to Employer of State Disability Claim Filed* (DE 2503). Complete and return the DE 2503 **within two working days** when you have information affecting the claimant's eligibility.

To deter disability fraud, please respond immediately if you are not the employer shown on the DE 2503, or if the claimant:

- Is not your employee
- Has quit his/her job
- Is receiving wages
- Has not stopped working
- Is known to be working for another employer



Note: Because SDI is a separate program from UI, the filing of a claim for SDI will not affect the employer's UI reserve account. Therefore, the DE 2503 is not the basis for a ruling, and the employer will not be notified of any determination as a result of the response on the DE 2503.

Voluntary Plan

California law allows employers to develop and apply to EDD for approval to administer a Voluntary DI Plan for short-term disability. A Voluntary DI Plan must provide at least the same level of benefits and rights as the State plan does, and must cost the employee no more than the State plan. The EDD oversees Voluntary DI Plans, but employers are financially liable and subject to an assessment, plus specific reporting requirements, for their plan(s).

The law also allows for insured plans, subject to certain risk criteria. At present, there are no such approved insured voluntary plans in operation.

More detailed information about establishing and operating a Voluntary DI Plan is available from:

**Employment Development Department
Disability Insurance Branch, MIC 29
P.O. Box 826880
Sacramento, CA 94280**

(916) 654-8198

Employers and Self-employed Benefits

Self-employed individuals and employers may elect to cover themselves with disability insurance under provisions of the CUIC.

Employers and self-employed individuals who elect coverage pay at a rate determined by the prior annual combined usage of all participants. The contributions reimburse the SDI fund for disability benefits and administrative costs already paid and estimated to be paid. For further information on elective coverage, request *Information Sheet, Elective Coverage* (DE 231EC) and *Elective Coverage Information* (DE 2565) by using the order form on page 129, or visiting EDD's Internet site at www.edd.ca.gov/difaq9.htm. You may also contact the Disability Insurance Elective Coverage Unit at (916) 654-6288.

Workers' Compensation Insurance

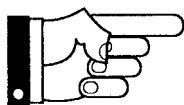
Workers' compensation insurance provides benefits to eligible workers experiencing a loss of wages when they are unable to perform their regular or customary work due to an occupational illness or injury. Generally, employees are not eligible for SDI when receiving workers' compensation benefits, unless the SDI rate is greater than the workers' compensation rate. Workers' compensation insurance is paid by the employer. (Refer to page 9 for further information.)

If you have **any** employees, you are required by law to have workers' compensation insurance. Failure to do so is a crime and may result in penalties and closure of your business.

If you have questions about workers' compensation insurance, or how to obtain coverage, contact your insurance agent or the State Compensation Insurance Fund at (800) 892-6000.

Additional Information

For information regarding SDI, contact our Customer Service Center at (800) 480-3287 or visit EDD's Internet site at www.edd.ca.gov/diind.htm.



Note: To provide affordable benefits to eligible workers, the SDI program has systems in place to detect and deter fraud. Please report suspected fraudulent activity to the EDD Fraud Hotline at (800) 229-6297.

CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

Introduction - Wages Taxable for PIT Withholding

Wages subject to California Personal Income Tax (PIT) withholding consist of compensation for services performed by an employee for his/her employer, with certain exceptions. California wages include, but are not limited to salaries, fees (except fees paid to public officials), bonuses, commissions, and payments in forms other than cash or checks. California wages in any form other than cash or checks are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services.

Please refer to page 87 for the PIT withholding table.

Marital Status, Withholding Exemptions, and Allowances (DE 4 and Form W-4)



An Internal Revenue Service (IRS) *Employee's Withholding Allowance Certificate* (Form W-4) can be used for California PIT withholding. However, if an employee wants to claim a different marital status and/or a different number of allowances than are claimed for federal withholding purposes, the employee should file a DE 4. For instance, California recognizes the "Head of Household" status, and an employee would need to file a DE 4 to claim that status.

Use of the DE 4 is optional; however, if an employee files a DE 4 for PIT, you must use it to determine California PIT withholdings.

If employees expect to itemize deductions on their California income tax returns, they can claim additional withholding allowances, which are greater than their regular withholding allowances. When reduced withholding amounts are appropriate because of large amounts of itemized deductions, the employee **must** complete a DE 4, including the attached worksheets, to support additional allowances for the itemized deductions. For specific information for treatment of additional withholding allowances for estimated deductions, refer to "Instructions for Additional Withholding Allowances for Estimated Deductions" on page 87 and the "Estimated Deduction" table on page 89. To obtain copies of the DE 4, use the order form on page 127, call the Employment Tax Call Center at (888) 745-3886, access our Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

An employee may request that no California PIT be withheld if:

- He/she incurred no liability for federal income tax for the preceding taxable year, and
- He/she anticipates that no federal income tax liability will be incurred for the current taxable year.

If	Then
Employee did not file a DE 4	The employer must use the marital status and allowances claimed (including any additional allowances) by the employee on the federal Form W-4 to calculate and withhold California PIT. Exception: Do not withhold any California PIT from wages of employees who have filed "EXEMPT" on their Form W-4 unless you receive a written notice from IRS or the Franchise Tax Board (FTB) to withhold at a special rate. To maintain "EXEMPT" status, the employee must file a new Form W-4 each year on or before February 15.
Employee filed a DE 4	The employer must use the DE 4 to calculate and withhold California PIT.
Employee's marital status cannot be determined from the DE 4 or Form W-4	Consider the employee as single for California PIT withholding purposes.

CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

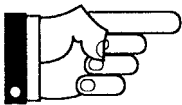
Employer's Obligations for the DE 4 and Form W-4

If an employee files a Form W-4 for federal withholding purposes and the Form W-4 also meets State reporting requirements, then filing the Form W-4 with the IRS also satisfies the State reporting requirement. Normally, the employer retains the Form W-4 with the employee's payroll records.

Federal regulations require employers to submit to the IRS copies of all Forms W-4 received during the quarter which claim:

- More than 10 withholding allowances, or
- Exemption from withholding when the usual weekly wages will exceed \$200 per week.

If	Then
Form W-4 is sent to IRS	Treat the Form W-4 as valid until notified in writing by the IRS on how to handle the employee's withholding for federal withholding purposes. The instructions you receive for federal withholding purposes apply for State withholding purposes unless a DE 4 is filed by the employee.
Form W-4 is not reportable to the IRS, but the DE 4 meets the reporting requirements	Employers are required to send a copy of the DE 4 to EDD with the next <i>Quarterly Wage and Withholding Report</i> (DE 6). Continue to treat the DE 4 as valid until notified in writing by FTB on the proper marital status and number of allowances to use for State withholding purposes for the employee.
An employee disagrees with an IRS or FTB determination as it applies to State withholdings	The employee may request a review of the determination by writing to: Franchise Tax Board W-4 Unit P.O. Box 2952 Sacramento, CA 94240



Note: The **burden of proof** rests with the employee to show IRS or FTB determination is incorrect for State withholding purposes. Continue to withhold California PIT based on the IRS or FTB determination until notified in writing by FTB of any changes. In the event FTB or IRS finds no reasonable basis for the number of withholding exemptions claimed on Form W-4 or DE 4, the employee may be subject to a \$500 penalty.

How to Determine Withholding Amounts (PIT Tables)

Refer to page 87 for the 2002 California PIT withholding tables and withholding calculation information.

CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

Wages Paid to Employees Who are Residents of California

If	Then
A resident employee performs services in California or in another state	<p>The wages paid to the resident employee are subject to withholding, and PIT must be withheld from all wages paid, in accordance with the employee's withholding certificate and the applicable withholding method.</p> <p>The wages paid must be reported as PIT wages on the <i>Quarterly Wage and Withholding Report</i> (DE 6). The PIT withheld must also be reported to EDD.</p>
A resident employee performs services that are subject to personal income tax withholding laws of both California and another state, political subdivision, or the District of Columbia	<p>The employer will make the deductions required by the other jurisdiction and will:</p> <ul style="list-style-type: none"> Withhold for California the amount by which the California deduction exceeds the deduction for the other jurisdiction, or Make no California withholding deduction if the deduction for the other jurisdiction is equal to, or greater than, the deduction for California. <p>The wages reported as PIT wages on the <i>Quarterly Wage and Withholding Report</i> (DE 6) are the same wages that are entered in "Box 16" of the employees' Form W-2. The PIT withheld must also be reported to EDD.</p>

Wages Paid to Employees Who are Nonresidents of California

A nonresident employee performs all services in California	<p>The wages paid to the nonresident employee are subject to withholding, and PIT must be withheld from all wages paid, in accordance with the employee's withholding certificate and the applicable withholding method.</p> <p>The wages paid must be reported as PIT wages on the DE 6. The PIT withheld must also be reported to EDD.</p>
A nonresident employee performs services both in California as well as in another state	<p>Only the wages earned in California are subject to California PIT withholding. The amount of wages subject to PIT withholding is that portion of the total number of working days employed in California compared to the total number of working days employed in both California and the other state.</p> <p>The California wages must be reported as PIT wages on the DE 6. The PIT withheld must also be reported to EDD.</p> <p>Note: For employees whose compensation depends on the volume of business transacted, the amount of earnings subject to California PIT withholding is that portion received for the volume of business transacted in California compared to the total volume of business in both California and the other state.</p> <p>For additional information regarding reporting nonresident employee wages, contact the Employment Tax Call Center at (888) 745-3886.</p>



For additional information regarding reporting California resident and nonresident employee wages, contact the Employment Tax Call Center at (888) 745-3886. You can also request *Information Sheet: Multi-State Employment* (DE 231D), which explains reporting wages for employees who work in California as well as in another state, by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand at (877) 547-4503, accessing EDD's Internet site at www.edd.ca.gov/taxform.htm, or using the order form on page 129.

CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

Additional PIT Withholding

In addition to the tax required to be withheld from salaries and wages, you may, upon written request from the employee, agree to withhold an additional amount from the employee's wages. This agreement will be effective for the periods you and the employee mutually agree upon or until termination of the agreement by written notice.

If employees rely on the Form W-4 when calculating California withholding allowances, their California PIT could be significantly underwithheld. This is particularly true if the household income is derived from more than one source. If an employee wants more California PIT withheld than the tables and alternate methods allow, the employee should either request additional withholding or, if married, indicate "single" on the DE 4 (the DE 4 provides a full explanation). To obtain copies of the DE 4, use the order form on page 127, call the Employment Tax Call Center at (888) 745-3886, access our Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

Supplemental Wage Payments



Supplemental wages include, but are not limited to bonuses, overtime pay, sales awards, commissions, and vacation pay. If supplemental wages are paid after the payment of regular wages, then the method of withholding PIT depends on whether California PIT was withheld from the employee's regular wages.

If California PIT was withheld from the employee's regular wages, you may choose either one of the following methods to withhold PIT on supplemental wages:

- Compute the PIT based on combined regular and supplemental wages. Determine the amount that should be withheld from the regular wages separately. Then subtract this amount from the total amount to be withheld. The difference is the amount to be withheld for supplemental wages, or
- Withhold at a flat six percent (6%) without allowing for any withholding exemptions claimed by the employee.

If you **have not** withheld California PIT from an employee's regular wages (e.g., when an employee's withholding exemption exceeds his or her wages), the regular and supplemental wages must be added together and the tax computed on the total amount.

Quarterly Estimated Payments

Quarterly estimates paid directly to FTB in lieu of proper withholdings from wages may result in an assessment to the employer. Wages are subject to mandatory California PIT withholding at the time they are paid to the employee. Quarterly estimates made to FTB are intended to satisfy taxes on income not subject to withholding.

Reporting State Disability Insurance (SDI) on Form W-2

Employers **must** report to their employees the total amount of State Disability Insurance (SDI) withheld from employee wages during the year. Employers covered under the State plan are to enter in "**Box 19**" (or the nearest available box) of Form W-2 the abbreviation "CASDI" and the amount actually withheld. Employers covered under an authorized voluntary plan for disability insurance are to enter "VPDI" and the amount actually withheld.

If **no** boxes are available on Form W-2, you are required to provide your employees with a separate written statement which contains the following:

- Your business or entity name, address, and federal and EDD employer numbers.
- The employee's name, address, and social security number.
- Amount of disability insurance deductions actually withheld and paid directly by you under the State or voluntary plan.

If you pay SDI taxes **without** withholding SDI from the employee's wages, you should show the SDI taxes as if withheld and increase the amount you report according to the formula as shown on the *Information Sheet: Social Security/Medicare/SDI Taxes Paid By an Employer* (DE 231Q). To obtain a copy of the DE 231Q, use the order form on page 129, call the Employment Tax Call Center at (888) 745-3886, access our Fax-on-Demand at (877) 547-4503, or access EDD's Internet site at www.edd.ca.gov/taxform.htm.

If the wages were **not** subject for SDI, show "CASDI 0" (zero).

CALIFORNIA PERSONAL INCOME TAX (PIT) WITHHOLDING

Reporting on Forms W-2, W-2C, and 1099

Prepare the IRS *Annual Wage and Tax Statements* (Form W-2) on the federal/state four-part paper form. If you need information on the requirements for using Form W-2, refer to IRS publication *Employer's Tax Guide* (Publication 15, Circular E).

Employers should **no longer** submit the State copies of Forms W-2 and W-2C to the State of California (EDD or FTB). However, you must continue to send Forms W-2 and W-2C to the employee and IRS.

Continue to submit Forms 1099 (all types) to the FTB. You may file on paper or by magnetic media as follows:

- **Paper:** If you file paper copies of your Forms 1099 with the IRS in Ogden, Utah, you have met your filing requirement for California.
- **Magnetic Media:** If you are filing 250 or more Forms 1099 of one type, you must file magnetically. You may do this through the IRS Combined Federal/State Program or by filing directly with FTB. For more information on Form 1099 filing, check "Information Return Reporting" at www.ftb.ca.gov or contact FTB at (916) 845-6304.

Additional Information

Additional information can be found in the appendix in the "Types of Employment" table on page 67 and "Types of Payments" table on page 77. You may also request the information sheets shown below by using the order form on page 129, calling the Employment Tax Call Center (888) 745-3886, or accessing our Fax-on-Demand by calling (877) 547-4503, or accessing EDD's Internet site at www.edd.ca.gov/taxform.htm.

Subject	Information Sheet
Personal Income Tax Withholding: <i>Supplemental Wage Payments & Moving Expense Reimbursement</i>	DE 231PS
<i>Third-Party Sick Pay</i>	DE 231R
<i>Withholding From Pensions, Annuities, and Other Deferred Income</i>	DE 231P
<i>Personal Income Tax Abatement</i> (provides information regarding assessments)	DE 231W

Did You Know?

The sections you must complete on the *Payroll Tax Deposit* (DE 88), *Quarterly Wage and Withholding Report* (DE 6), and *Annual Reconciliation Statement* (DE 7) have boxes for each letter or number.

If you use a **typewriter or computer** to complete the forms, you can print across the lines of the boxes.

If you complete the forms **by hand**, you must write one letter or number in each box.

**Labor Market
Information
Available On-Line**

The EDD's Labor Market Information Division (LMID) collects, analyzes, and publishes information about California's labor market that can help with your important business decisions. You can compare wages, skills, and educational requirements for selected occupations and areas throughout the State, or make strategic plans using industry, occupational, and regional trend information. You can view or download the information 24 hours a day, 7 days a week on LMID's Internet site at **www.calmis.ca.gov**. To request a complete list of publications and their cost, please contact LMID at (916) 262-2162. These publications may also be available at your local public library or the EDD office nearest you.

**What Information is
Available on the
Internet?**

You can have immediate access to information that will assist you in making important business decisions. Our Internet site at **www.calmis.ca.gov** contains information on:

- **Agriculture** - Statewide and county employment and earnings data for selected crops and industries.
 - **Selected population characteristics** - Statewide census data, population tables, data for nondiscrimination programs, and income statistics.
 - **Industry** - Current, historical, and projections of employment by industry; hours and earnings data, and size of firm data by county, metropolitan statistical area, and the State.
 - **Economic development** - Local industry trends, labor force, and occupational wages are available on an interactive Internet site at **www.lmi4ed.ca.gov**.
 - **Labor force** - Current and historical labor force data (civilian labor force, employment, unemployment and unemployment rate) by county sub-area, county, metropolitan statistical area, and the State; labor market conditions in California; and characteristics of the labor force.
 - **Occupations** - Some of the reports and forms available include:
 1. California Career and Training Information System (CaCTIS) at **www.cactis.ca.gov**
 2. Projections of Employment by Occupation
 3. California Professional and Business License Handbook
 4. California Occupational Guides
 5. Directory of California Local Area Wages
 6. Occupational Outlook Reports
 7. Prevailing Wage Program for Temporary H-1B Visas Request Form
 - **And more:**
 1. Frequently Asked Questions
 2. LMID product list and order form
 3. List of local LMI consultants
 4. Links to other useful sites
-

**Multiple Location
and/or Function
Employers**

When an employer maintains a business at more than one physical location and/or conducts more than one business activity/function at the same location, and meets specific employment size criteria, the employer is considered to be a multiple establishment employer. These employers may be required to file, on a quarterly basis, the *Multiple Worksite Report* (BLS 3020). The LMID mails the BLS 3020 to employers who are required to file the report. For additional information, visit EDD's Internet site at **www.calmis.ca.gov** and select "Information for Employers."

Did You Know?

Employment Tax Offices (ETO) provide basic, intermediate, and advanced level seminars to help employers understand their responsibilities regarding California employment taxes. To find out about a seminar near you, call the Employment Tax Call Center at (888) 745-3886, or visit EDD's Internet site at **www.edd.ca.gov/taxsem**.

EMPLOYMENT AND TRAINING SERVICES

EDD Job Service

The Job Service is one of the world's largest public employment service operations providing a variety of services to bring California employers together with qualified job seekers. To provide employers with a self-service labor exchange, there is an Internet-based system called CalJOBSsm. It provides employers with quick access to a large pool of job-ready applicants. Employers with Internet access can enter their own job listings and update or close orders.

Employers without Internet access or who have special requirements can be served by customer service representatives who take job opening information by telephone or fax and assist employers in finding qualified applicants. There are no fees to use CalJOBSsm.

CalJOBSsm may be accessed at **www.caljobs.ca.gov** on the Internet. To use it, have your EDD employer account number and register on-line or call the customer help desk at (800) 758-0398.

Job Service can also assist employers with:

- Bi-lingual services
- Bonding
- Department of Motor Vehicle record verification
- Foreign labor certification
- Interviewing facilities
- Job fairs
- Labor market information
- Recall letters
- Recruitment
- Reemployment assistance in lay-off situations

For more information on these and other services, visit EDD's Internet site at **www.edd.ca.gov** and select "For Employers" or call your nearest Job Service Office.

Employment Training Panel (ETP) – History

In 1982, the California State Legislature created the Employment Training Panel (ETP) as a cooperative business labor program to provide employers with skilled workers and provide workers with good, long-term jobs. The Legislature also established the Employment Training Tax (ETT). All tax-rated employers, including new employers, are subject to ETT. Employers with positive reserve accounts are assessed 0.1 percent (.001) of the first \$7,000 of each employee's wages. Employers do not pay ETT while their reserve accounts have a negative reserve balance; however, they must pay a higher rate of Unemployment Insurance (UI) taxes. The maximum ETT collected is \$7 per employee, per year.

ETP – Purpose

The ETP funds training that results in long-term, full-time employment in targeted industries to improve California competitiveness in the economy and the skills of the State's workforce. Approximately \$70 to \$100 million in job training funds are provided annually to California employers. The ETP primarily funds retraining of currently employed workers in high-wage jobs and has placed special emphasis on training for small businesses with fewer than 100 employees.

ETP – Who Should Apply?

The ETP contracts with tax-rated employers, groups of employers, training agencies, and Workforce Investment Boards. The ETP funds the following types of training to promote a healthy labor market in a growing, competitive economy:

- **Retraining** - Helps companies facing out-of-state competition by upgrading the skills of current employees.
- **New-Hire** - Funds training of unemployed workers eligible to receive California UI benefits for employment in career-oriented jobs.
- **Special employment training** - Provides limited funding for frontline workers, trainees who are not eligible for retraining, or new hire training as described below.
 - Workers earning at least the State average hourly wages
 - Workers in industries with demonstrated career paths
 - Workers in high unemployment areas
 - Workers with multiple barriers to employment
 - Small business owners
- **Welfare-to-Work** - Provides funds for postemployment training of recent welfare recipients.
- **High unemployment area** - Funds training for workers in areas with unemployment rates significantly higher than the rate for California or containing a large number of unemployed workers.

The ETP's primary targets are those industries facing out-of-state competition such as manufacturing and emerging technologies (BioTech, BioMed, and Multimedia).

**How is ETP Different?
(Employers, Labor, and Government Working Together)**

The employer selects the courses, trainers, and types of training that best meet their company's needs. The ETP's performance-based standards ensure that training results in jobs. The ETP funds are earned when the trainee completes training and has been placed or retained in a full-time job. The trainee must remain employed for at least 90 days, using the skills learned during the training, and earning a wage as specified in the training agreement.

For additional information or for a schedule of free orientations, contact one of the following ETP offices:

North Hollywood.....(818) 755-1313
Sacramento.....(916) 327-5640

San Diego (619) 686-1920
San Mateo..... (650) 655-6930

www.etp.ca.gov

Welfare-to-Work Grant Initiative

The federal Welfare-to-Work Grant Initiative provides \$367 million over five years for Local Workforce Investment Boards (LWIBs) and other types of community-based organizations to create job opportunities for the hardest-to-employ welfare recipients. These funds may be used to fully subsidize employment wages or on-the-job training, and provide postemployment services, such as occupational skills training, transportation, childcare, etc. To obtain the name and address of the LWIB serving your area, call (916) 654-7961.

Workforce Investment Act

The federal Workforce Investment Act of 1998 (WIA) provides the framework for a national workforce preparation and employment system. Title I of WIA authorizes and funds a number of employment and training programs in California. Workforce investment activities authorized by WIA are provided at the local level to individuals in need of those services, including job seekers, dislocated workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The WIA's primary purpose is to provide workforce investment activities that increase the employment, retention, earnings of participants, and increase occupational skill attainment by participants.

These programs help prepare Californians to participate in the State's workforce, increase their employment and earnings potential, improve their educational and occupational skills, and reduce their dependency on welfare, which will improve the quality of the workforce and enhance the productivity and competitiveness of California's economy.

The WIA authorizes a variety of services to employers. Services are designed and administered by Local Workforce Investment Boards (LWIB). Local services are provided by One-Stop Centers and may include:

- Applicant screening/referral
- Business closure assistance
- Customized training
- Enterprise zone tax credits
- Entrepreneurial training
- Job placement assistance
- Labor market information
- On-the-job training
- Training subsidies

The WIA is administered by LWIBs in partnership with local elected officials comprised of representatives from private sector business, organized labor, community-based organizations, local government agencies, and local education agencies. The LWIBs designate one-stop operators, provide policy guidance, and oversee the job training activities within local areas. One-Stop Centers provide a full range of services, including finding qualified employees, labor market information, and obtaining tax credits for hiring certain workers.

For more information, contact the Workforce Investment Division at (916) 654-7111 or access EDD's Internet site at **www.edd.ca.gov/wiaind.htm**.

TYPES OF EMPLOYMENT

This table identifies special classes of employment and will help you determine your tax responsibilities. If you have any questions regarding an individual's proper status in working for or with you, please call the Employment Tax Call Center at (888) 745-3886.

In addition to this table, EDD has prepared the "Types of Payments" table on page 77 and information sheets for specific industries, types of services, or types of payments. You may request the information sheets by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand at (877) 547-4503, accessing EDD's Internet site at www.edd.ca.gov/taxform.htm, or using the order form on page 129.

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Agricultural Labor Also refer to federal <i>Agricultural Employer's Tax Guide</i> (Publication 51, Circular A).	Subject California Unemployment Insurance Code (CUIC) Section 611	Subject CUIC Section 611	Not subject ² CUIC Section 13009(a)	Reportable CUIC Section 13009.5
Artists and Authors: A. Common law employees. B. Statutory employees hired for specific work. Refer to <i>Information Sheet: Statutory Employees</i> (DE 231SE).	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
	Subject CUIC Section 601.5	Subject CUIC Section 601.5	Not subject California Code of Regulations (CCR), Title 22 Section 4304-1	Reportable CUIC Section 13009.5
Automotive Repair Industry Refer to <i>Information Sheet: Automotive Repair Industry</i> (DE 231B)	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Barber Shops and Beauty Shops Refer to <i>Information Sheet: Cosmetologists</i> (DE 231C)	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Baseball Players	Subject unless under agreement to perform for a share of the profits and expenses of the club. CUIC Section 653	Subject unless under agreement to perform for a share of the profits and expenses of the club. CUIC Section 653	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Brokers (does not apply to nonprofit or public agencies): A. Specific salespersons: <ul style="list-style-type: none"> Real estate brokers or salespersons Gas or oil brokers or mineral brokers Yacht brokers and salespersons B. Cemetery brokers or salespersons	Exempt if all three of the conditions in the footnote are met. ³ CUIC Section 650	Exempt if all three of the conditions in the footnote are met. ³ CUIC Section 650	Not subject if all three of the conditions in the footnote are met. ³ CUIC Section 13004.1	Not reportable if all three of the conditions in the footnote are met. ³ CUIC Section 13009.5
	Exempt if all three of the conditions in the footnote are met. ³ CUIC Section 650	Exempt if all three of the conditions in the footnote are met. ³ CUIC Section 650	Subject CUIC Section 13004.1	Reportable CUIC Section 13009.5

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TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Casual Labor: Refer to <i>Information Sheet: Casual Labor</i> (DE 231K) A. Part-time or temporary workers B. Service not in the course of employer's trade or business: <ul style="list-style-type: none"> Cash payments 	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
<ul style="list-style-type: none"> Noncash payments (e.g., meals and lodging) 	Not subject CUIC Section 936	Not subject CUIC Section 936	Not subject CUIC Section 13009(h)	Not reportable CUIC Section 13009.5
Construction Contractors Refer to <i>Information Sheet: Construction Industry</i> (DE 231G)	Subject unless working as a contractor with a valid contractor's license and not a common law employee. CUIC Section 621(b) or 621.5	Subject unless working as a contractor with a valid contractor's license and not a common law employee. CUIC Section 621(b) or 621.5	Subject unless working as a contractor with a valid contractor's license and not a common law employee. CUIC Section 13004 or 13004.5	Reportable unless working as a contractor with a valid contractor's license and not a common law employee. CUIC Section 13009.5
Election Campaigns Workers for candidates or committees. Refer to <i>Information Sheet: Election Campaign Workers</i> (DE 231V)	Exempt CUIC Section 636	Exempt CUIC Section 636	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Family Employees Minor son or daughter under 18 employed by parent (or by partnership consisting only of parents); wife employed by husband or husband employed by wife; and parent employed by son or daughter. Refer to <i>Information Sheet: Family Employment</i> (DE 231FAM) and <i>Information Sheet: Specialized Coverage</i> (DE 231SC).	Exempt – applies only to sole proprietorships and partnerships. CUIC Section 631	Exempt unless an approved elective coverage agreement is in effect. This applies only to sole proprietorships and partnerships. CUIC Section 631	Subject CUIC Section 13004	Reportable CUIC Section 13009.5

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TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Federal Employees: A. Members of the U.S. Armed Forces	The federal government pays cost of benefits. CUI Section 632	Exempt CUI Section 632	Subject if stationed in and domiciled in California; both conditions must be present. CCR, Title 22 Section 4305-1(d)	Reportable if stationed in and domiciled in California; both conditions must be present. CUI Section 13009.5
B. Federal civilian employees	The federal government pays cost of benefits. CUI Section 632	Exempt CUI Section 632	Subject CCR, Title 22 Section 4305-1(d)	Reportable CUI Section 13009.5
Fishing and Related Activities Refer to <i>Information Sheet: Commercial Fishing</i> (DE 231CF)	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Not subject CUI Section 13009(o)	Reportable CUI Section 13009.5
Foreign Government and International Organizations Refer to <i>Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft</i> (DE 231FE)	Exempt CUI Sections 643, 644, and 644.5	Exempt CUI Sections 643, 644, and 644.5	Not subject CUI Section 13009(d)	Not reportable CUI Section 13009.5
Foreign Service Performed by a U.S. Citizen: A. U.S. Government employee	Exempt CUI Section 632	Exempt CUI Section 632	Not subject CUI Section 13009(d)	Not reportable CUI Section 13009.5
B. For an American employer or a foreign subsidiary of U.S. corporation or other private employer. Refer to <i>Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft</i> (DE 231FE).	Subject if the conditions in footnote 4 are met. CUI Section 610	Subject if the conditions in footnote 4 are met. CUI Section 610	Subject if employee is a California resident. CUI Section 13020	Reportable if employee is a California resident. CUI Section 13009.5
C. On or in connection with an American aircraft or vessel and such services are subject to the Federal Unemployment Tax Act (FUTA). Refer to <i>Information Sheet: Foreign Employment and Employment on American Vessels or Aircraft</i> (DE 231FE).	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office. CUI Sections 125.3, 125.5, and 609	Subject if the operations are ordinarily and regularly directed and controlled from the employer's California office. CUI Sections 125.3, 125.5, and 609	Subject if services are performed on an aircraft. CUI Section 13009 Not subject if services are performed on a vessel. CUI Section 13009(j)	Reportable if services are performed on an aircraft. Not reportable if services are performed on a vessel. CUI Section 13009.5
Golf Caddies	Exempt CUI Section 651	Exempt CUI Section 651	Subject CUI Section 13004	Reportable CUI Section 13009.5
Homeworkers (Industrial): A. Common law employees Refer to <i>Information Sheet: Employment</i> (DE 231)	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Subject CUI Section 13004	Reportable CUI Section 13009.5

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TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Statutory employees Refer to <i>Information Sheet: Statutory Employees</i> (DE 231SE)	Subject CUIC Section 621(c)(1)(C)	Subject CUIC Section 621(c)(1)(C)	Not subject CUIC Section 13004	Reportable CUIC Section 13009.5
Hotel and Restaurant Industries Refer to <i>Information Sheet: Restaurant and Hotel Industries</i> (DE 231E)	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Household Employment (Domestic) In private homes, local college clubs, fraternities, and sororities. Refer to <i>Information Sheet: Household Employment</i> (DE 231L), <i>Household Employer's Guide</i> (DE 8829), and the federal <i>Household Employer's Guide</i> (Publication 926).	Subject if \$1,000 or more in cash paid in any calendar quarter for household services. CUIC Sections 629 and 682	Subject if \$750 or more in cash paid in any calendar quarter for household services. CUIC Section 2606.5	Not subject ² CUIC Section 13009(b)	Reportable if otherwise required to register with EDD. CUIC Section 13009.5
Interns working in hospitals	Exempt CUIC Section 645	Exempt CUIC Section 645 unless employed by a nonprofit hospital CUIC Section 2606	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Janitors (Business Services Industry) Refer to <i>Information Sheet: Services Industry</i> (DE 231I)	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Jockeys or Exercise Persons working freelance, if licensed by the California Horse Racing Board	Exempt CUIC Section 654	Exempt CUIC Section 654	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Language Interpreters or Translators	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Manufacturing Industry Refer to <i>Information Sheet: Manufacturing Industry</i> (DE 231H)	Subject CUIC Section 621(b)	Subject CUIC Section 621(b)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Ministers of churches and members of religious orders, performing duties as such, may elect coverage. Refer to <i>Information Sheet: Specialized Coverage</i> (DE 231SC).	Exempt CUIC Section 634.5(b)	Exempt CUIC Section 634.5(b)	Not subject ² CUIC Section 13009(f)	Reportable if otherwise required to register with EDD. CUIC Section 13009.5
Newspaper Carriers under 18 years old delivering to consumers.	Exempt if under 18 and not regular, full-time work. CUIC Sections 634.5(a) and 649(a)	Exempt if under 18 and not regular, full-time work. CUIC Sections 634.5(a) and 649(a)	Not subject ² CUIC Section 13009(g)(1)	Not reportable unless voluntarily agrees, is 18 years or older, or occupation is regular, full-time work. CUIC Section 13009.5

See page 76 for footnotes

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance And Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Newspaper and Magazine Vendors buying at fixed prices and retaining excess from sales to consumers.	Exempt CUIC Sections 634.5(h) and 649(b)	Exempt CUIC Sections 634.5(h) and 649(b)	Not subject CUIC Section 13009(g)(2)	Not reportable CUIC Section 13009.5
Nonprofit Organization Employees: Refer to <i>Information Sheet: Nonprofit and/or Public Entities</i> (DE 231NP) A. Churches, conventions, or associations of churches, or religious organizations which are operated primarily for religious purposes and operated, supervised, controlled, or principally supported by a church, convention, or association of churches.	Exempt CUIC Section 634.5(a)	Exempt unless reportable by nonprofit hospitals. CUIC Sections 634.5(a) and 2606	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
B. All other nonprofit organizations exempt under Internal Revenue Code (IRC) Section 501(c)(3) except those under "A" above.	Subject (Employees earning less than \$50 in any quarter are exempt.) CUIC Section 641	Subject (Employees earning less than \$50 in any quarter are exempt.) CUIC Section 641	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
C. All other organizations exempt under IRC Section 501(a), other than a pension profit-sharing or stock bonus plan described in IRC Section 401(a) or under IRC Section 521.	Subject CUIC Section 608	Subject CUIC Section 608	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
Nonresidents of California: A. U.S. Residents: <ul style="list-style-type: none"> Service performed in California. 	Subject CUIC Section 601	Subject CUIC Section 601	Subject CUIC Section 13020	Reportable CUIC Section 13009.5
<ul style="list-style-type: none"> Service performed outside U.S. 	Subject if employer's principal place of business in U.S. is in California. ⁴ CUIC Section 610	Subject if employer's principal place of business in U.S. is in California. ⁴ CUIC Section 610	Not subject CUIC Section 13009	Not reportable CUIC Section 13009.5

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance And Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Aliens Working in California: <ul style="list-style-type: none"> Residents of any foreign country entering California frequently in transportation service across the border. Residents of any foreign country entering California frequently for construction, maintenance, or operation of waterway, bridge, etc., traversing the border. Residents of any foreign country entering California frequently, employed wholly within California. Workers from any foreign country or its possession lawfully admitted on a temporary basis to perform agricultural labor. Students, scholars, trainees, or teachers as nonimmigrant aliens under Section 101(a)(15)(F) or (J) of the Immigration and Nationality Act. Professional athlete, in California for occasional or incidental engagements. 	Subject (unless railroad service) CUI Section 621(b)	Subject (unless railroad service) CUI Section 621(b)	Not subject CUI Section 13009(e) and CCR, Title 22 Section 4309-2(f)(2)(A)	Reportable (unless railroad service) CUI Section 13009.5
	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Not subject CCR, Title 22 Section 4309-2(f)(2)(B)	Reportable CUI Section 13009.5
	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Subject CUI Section 13009	Reportable CUI Section 13009.5
	Subject CUI Section 611	Subject CUI Section 611	Not subject ² CUI Section 13009(a)	Reportable CUI Section 13009.5
	Exempt Section 642 or only if Section 608 nonprofit organization and is nonresident temporarily in U.S. as nonimmigrant on a "F," "J," "M," or "Q" type visa.	Exempt Section 642 or only if Section 608 nonprofit organization and is nonresident temporarily in U.S. as nonimmigrant on a "F," "J," "M," or "Q" type visa.	Subject unless exempted by regulations or treaty with a foreign government. Treaty must specify exemption from "State or local taxes." CUI Section 13009(e)	Reportable CUI Section 13009.5
	Exempt CUI Section 655	Exempt CUI Section 655	Subject CUI Section 13009	Reportable CUI Section 13009.5
Officer of a Corporation performing services as an employee: A. Corporation subject to FUTA	Subject CUI Section 637	Subject unless sole shareholder or the only shareholder other than his or her spouse and has filed for an exclusion. CUI Sections 637 and 637.1	Subject unless agricultural labor. CUI Sections 13004 and 13009(a)	Reportable CUI Section 13009.5

See page 76 for footnotes

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Corporation not subject to FUTA	Exempt if officer and/or director is the sole shareholder or the only shareholder other than his or her spouse. CUI Section 637	Exempt if officer and/or director is the sole shareholder or the only shareholder other than his or her spouse. CUI Section 637	Subject unless agricultural labor. CUI Section 13004	Reportable if otherwise required to register with EDD. CUI Section 13009.5
Patients employed by hospitals	Exempt CUI Section 647	Exempt unless nonprofit district hospital. CUI Sections 647 and 2606	Subject CUI Section 13004	Reportable CUI Section 13009.5
Private Postsecondary School Intermittent and Adjunct Instructors Services must be performed for an institution that meets the requirements of the Education Code, Article 6 (commencing with Section 94800) Chapter 7, Part 59.	Subject CUI Section 621(b)	Exempt if the conditions in footnote 5 are met. CUI Section 633	Not subject if the conditions in footnote 5 are met. CUI Section 13009(r)	Reportable
Public Entity Employees of cities and counties, local public agencies, and schools. Refer to <i>Information Sheet: Nonprofit and/or Public Entities</i> (DE 231NP) and <i>Information Sheet: Specialized Coverage</i> (DE 231SC).	Subject CUI Section 605	Exempt unless employed by a district hospital or public housing administration agency operated by state or local governmental subdivisions or an approved elective coverage agreement is in effect. CUI Section 605 and 2606 and IRC Section 3306(c)(7)	Subject CUI Section 13009	Reportable CUI Section 13009.5
Restaurant and Hotel Industries Refer to <i>Information Sheet: Restaurant and Hotel Industries</i> (DE 231E)	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Subject CUI Section 13004	Reportable CUI Section 13009.5
Salespersons: Refer to <i>Information Sheet: Salespersons</i> (DE 231N) A. Common law employees	Subject CUI Section 621(b)	Subject CUI Section 621(b)	Subject CUI Section 13004	Reportable CUI Section 13009.5
B. Real estate or direct sales salespersons	Exempt if all three conditions in footnote 3 are met. CUI Section 650	Exempt if all three conditions in footnote 3 are met. CUI Section 650	Exempt if all three conditions in footnote 3 are met. CUI Section 13004.1	Not reportable if all three conditions in footnote 3 are met. CUI Section 13009.5

See page 76 for footnotes

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
C. Statutory employees. Refer to <i>Information Sheet: Statutory Employees</i> (DE 231SE).	Subject CUIC Section 621(c)(1)(B)	Subject CUIC Section 621(c)(1)(B)	Not subject CCR, Title 22 Section 4304-1	Reportable CUIC Section 13009.5
Standby Employee doing no actual work in period for which paid.	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
State Government and Political Subdivisions , services performed as:				
A. An elected official	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
B. A member of a legislative body, or a member of the judiciary, or a State or political subdivision thereof.	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
C. A member of a State National Guard, Ready Reserve, or Air National Guard.	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
D. An employee serving on a temporary basis in case of fire, storm, snow, earthquake, flood, or other similar emergency.	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
E. In a position which, under or pursuant to State law, is designated as either of the following:				
• A major, nontenured policy-making or advisory position.	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
• A policy-making or advisory position, the performance of the duties of which ordinarily does not require more than eight hours per week.	Exempt CUIC Section 634.5(c)	Exempt CUIC Section 634.5(c)	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
F. Employees of State or local governments and instrumentalities not included above.	Subject CUIC Section 605	Exempt except for public housing administration agencies and district hospitals. CUIC Section 2606	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
G. Fees of public officials	Subject CUIC Section 926	Subject CUIC Section 926	Not subject CCR, Title 22 Section 4309-2(b)	Reportable CUIC Section 13009.5
Students:				
A. Working for a public or private school, college, or university, if enrolled and regularly attending classes at that school.	Exempt CUIC Section 642	Exempt CUIC Section 642	Subject CUIC Section 13009	Reportable CUIC Section 13009.5

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Spouse of student, if such spouse is advised at the time service commences at the school that employment is provided under a program to provide financial assistance to the student by the school, college, or university, and that employment will not be covered by Unemployment Insurance.	Exempt CUIC Section 642	Exempt CUIC Section 642	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
C. Under age 22 enrolled in a full-time program at a nonprofit or public education institution. Institution must normally maintain a regular faculty and curriculum and normally have a regularly organized body of students where its educational activities are located. Student's service must be taken for credit at such an institution. It must combine academic instruction with work experience. It must be an integral part of such program, and the institution must have so certified to the employer.	Exempt unless program established solely for one employer or one group of employers. CUIC Section 646	Exempt unless program established solely for one employer or one group of employers. CUIC Section 646	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
D. Nurse working for a hospital or nursing school	Exempt CUIC Section 645	Subject if employed by a nonprofit hospital. CUIC Section 2606 Exempt if employed by any other hospital or nursing school. CUIC Section 645	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
E. Full-time students working for an organized camp. Full-time student – enrolled for the current term of an academic year or, if between terms, for the immediately preceding period with a reasonable assurance of enrollment in the immediately subsequent period. Organized camp – offers outdoor group living experience for social, spiritual, educational, or recreational purposes; must not operate more than seven months a year, or at least 2/3 of its previous yearly gross income must have been in any 6 of the 12 months of the year.	Exempt CUIC Section 642.1	Exempt CUIC Section 642.1	Subject CUIC Section 13004	Reportable CUIC Section 13009.5

See page 76 for footnotes

TYPES OF EMPLOYMENT

Types of Employment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Temporary Services and Employee Leasing Industries Refer to <i>Information Sheet: Temporary Services and Employee Leasing Industries</i> (DE 231F)	Subject CUIC Sections 621(b) and 606.5	Subject CUIC Sections 621(b) and 606.5	Subject CCR, Title 22 Section 4305-1(i)	Reportable CUIC Section 13009.5
Transcribers of depositions, court proceedings, and hearings performed away from the office of the person, firm, or association obligated to produce a transcript of the proceedings.	Exempt CUIC Section 630	Exempt CUIC Section 630	Not subject CCR, Title 22 Section 4304-1	Not reportable CUIC Section 13009.5

¹ Employers who have elected the "cost of benefits" or "reimbursable method" of financing Unemployment Insurance contributions or who have a negative reserve account balance are not required to contribute to the Employment Training Tax Fund.

² Subject if employer and employee voluntarily agree to withhold California Personal Income Tax.

³ Exempt if all three of the following conditions are met:

- a) Substantially all payments are directly related to sales or other output.
- b) Services are performed pursuant to a written contract which provides that the individual will not be treated as an employee with respect to those services for State tax purposes.
- c) The individual has the license required to perform the services.

⁴ If the employer's principal place of business in the U.S. is in California or if the employer has no place of business in the U.S. but:

- a) The employer is an individual who is a resident of California, or
- b) The employer is a corporation which is organized under the laws of California, or
- c) The employer is a partnership or a trust and the number of partners or trustees who are residents of California is greater than the number who are residents of any one other state, or

If none of the criteria above applies, but the employer has elected coverage in this State or the employer has not elected coverage in any state and an individual has filed for benefits in California, based on such service.

⁵ Not subject if service is performed under written contract with **all** of the following provisions:

- a) Any federal or State income tax liability shall be the responsibility of the party providing the services.
- b) No disability insurance coverage is provided under the contract.
- c) The party performing the services certifies that he or she is doing so as a secondary occupation or as a supplemental source of income.

TYPES OF PAYMENTS

This table identifies special types of payments and will help you determine your tax responsibilities. If you have any questions regarding how an individual payment is taxed, please call the Employment Tax Call Center at (888) 745-3886.

In addition to this table, EDD has prepared the "Types of Employment" table on page 67 and information sheets for specific industries, types of services, or types of payments. You may request the information sheets by calling the Employment Tax Call Center at (888) 745-3886, accessing Fax-on-Demand by calling (877) 547-4503, accessing EDD's Internet site at www.edd.ca.gov/taxform.htm, or using the order form on page 129.

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Adoption Assistance: Payments as defined in the Internal Revenue Code (IRC) Section 137.				
A. If the adoption assistance program is not under an IRC Section 125 Cafeteria Plan.	Subject California Unemployment Insurance Code (CUIC) Section 926	Subject CUIC Section 926	Subject ² CUIC Section 13009(q)	Reportable ² CUIC Section 13009.5
B. If the adoption assistance program is under an IRC Section 125 Cafeteria Plan: <ul style="list-style-type: none"> • Employer contributions (into the plan). • Employee contributions (into the plan). • Payments from the plan. 	Subject CUIC Section 926	Subject CUIC Section 926	Not subject CUIC Section 13009(i)(5)	Not reportable CUIC Section 13009.5
	Subject CUIC Section 926	Subject CUIC Section 926	Not subject CUIC Section 13009(i)(5)	Not reportable CUIC Section 13009.5
	Not subject CUIC Section 926	Not subject CUIC Section 926	Not subject CUIC Section 13009(i)(5)	Not reportable CUIC Section 13009.5
Board of Director(s) Fees A director of a corporation or association performing services in the capacity of a director.	Not subject CUIC Section 622	Not subject CUIC Section 622	Subject if a common law employee. Not subject if corporation pays compensation to a nonresident corporate director for director services performed in California. CUIC Section 13020(c)	Reportable if a common law employee. Not reportable if corporation pays compensation to a nonresident corporate director for director services performed in California. CUIC Section 13009.5
Bonuses	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
Business Expenses: A. Employer repayment of required or necessary business expenses incurred by the employee while performing services for the employer.	Exempt CUIC Section 929	Exempt CUIC Section 929	Not subject CUIC Section 13009(q)	Not reportable CUIC Section 13009.5

See page 86 for footnotes

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Long-term travel expenses allowed under IRC Section 162.	Exempt CUIC Section 929	Exempt CUIC Section 929	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
Cafeteria Plan Payments under IRC Section 125 Refer to <i>Information Sheet: Taxability of Employee Benefits</i> (DE 231EB).	Generally exempt CUIC Section 938.3(d)	Generally exempt CUIC Section 938.3(d)	Not subject CUIC Section 13009(i)(5)	Not reportable if excluded from taxable income. CUIC Section 13009.5
Debts Paid by Employer: (Amounts in lieu of cash wages offset by the employer.)				
A. Amounts paid against a debt due from employee.	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
B. Amounts applied to a debt owed to a third-party by the employee.	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
Deceased Employee Wages Wages paid to beneficiary or estate after the date of the worker's death.	Subject in the calendar year in which the employee died. CUIC Section 938.7	Subject in the calendar year in which the employee died. CUIC Section 938.7	Not subject CUIC Section 13009(q)	Not reportable CUIC Section 13009.5
Dependent Care Assistance Programs (Limited to \$5,000; \$2,500 if married, filing separately.)	Exempt if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 129. CUIC Section 938.3(b)	Exempt if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 129. CUIC Section 938.3(b)	Not subject if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 129. CUIC Section 13009(q)	Not reportable if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 129. CUIC Section 13009.5
Dismissal or Severance Pay	Subject unless payments qualify as supplemental UI benefits. CUIC Section 1265	Subject unless payments qualify as supplemental UI benefits. CUIC Section 1265	Subject CUIC Section 13009(q)	Reportable CUIC Section 13009.5
Educational Assistance (Payments under IRC Section 127) Undergraduate and graduate level courses excluded up to \$5,250 (maximum), per employee, per calendar year.	Exempt if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 127. CUIC Section 938.3(a)	Exempt if at the time paid or furnished, it is reasonable to believe the amounts are excludable from gross income under IRC Section 127. CUIC Section 938.3(a)	Not subject if the amounts are excludable from gross income under IRC Section 127. CUIC Section 13009(q)	Not reportable if the amounts are excludable from gross income under IRC Section 127. CUIC Section 13009.5

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Employee Achievement Awards	Exempt if at the time awarded, it is believed the amount is excludable from gross income under IRC Section 74(c). CUI Section 938.3(c)	Exempt if at the time awarded, it is believed the amount is excludable from gross income under IRC Section 74(c). CUI Section 938.3(c)	Not subject if at the time awarded, it is believed the amount is excludable from gross income under IRC Section 74(c). CUI Section 13009(q)	Not reportable if at the time awarded, it is believed the amount is excludable from gross income under IRC Section 74(c). CUI Section 13009(q)
Fringe Benefits:				
A. Employee use of employer's vehicle for personal use.	Subject CUI Section 926	Subject CUI Section 926	Subject CUI Section 13009	Reportable CUI Section 13009.5
B. Employer-paid transportation costs, that have no business connection and are not excluded under IRC Section 132.	Subject CUI Section 926	Subject CUI Section 926	Subject CUI Section 13009	Reportable CUI Section 13009.5
C. Employer-paid FICA, SDI, and/or Medicare. Refer to <i>Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer</i> (DE 231Q).	Subject CUI Section 926	Subject CUI Section 926	Subject CUI Section 13009	Reportable CUI Section 13009.5
D. Employer-paid FICA, and/or Medicare for domestic service in private home or agricultural labor. Refer to <i>Information Sheet: Social Security/Medicare/SDI Taxes Paid by an Employer</i> (DE 231Q).	Exempt CUI Section 935	Exempt CUI Section 935	Not subject ³ CUI Sections 13009(a) and (b)	Reportable CUI Section 13009.5
E. Benefits excluded from gross income under IRC Section 132 (i.e., services supplied to employees at no additional cost to the employer, discounts, parking, bus passes, athletic facilities, free coffee, moving expenses, qualified retirement planning services, etc.).	Exempt CUI Section 938.3(c)	Exempt CUI Section 938.3(c)	Not subject ⁴ CUI Section 13009(q)	Not reportable ⁴ CUI Section 13009.5
Golden State Scholarshare Trust: Payments as defined in Revenue and Taxation Code (R&TC) Section 17140.				
A. Contribution to trust by participant.	Not subject CUI Section 926	Not subject CUI Section 926	Not subject CUI Section 13009(q)	Not reportable CUI Section 13009.5
B. Contribution to trust by participant's employer.	Subject CUI Section 926 and R&TC Section 17140(c)(2)	Subject CUI Section 926 and R&TC Section 17140(c)(2)	Subject CUI Section 13009(q)	Reportable CUI Section 13009.5
C. Distribution from trust to school for educational expenses.	Not subject CUI Section 926	Not subject CUI Section 926	Not subject CUI Section 13009(q)	Not reportable CUI Section 13009.5

See page 86 for footnotes

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
D. Distribution from trust to participant of amount in excess of educational expenses.	Not subject CUIC Section 926	Not subject CUIC Section 926	Not subject CUIC Section 13009(q)	Not reportable CUIC Section 13009.5
Group Legal Services	Subject CUIC Section 926 and IRC Section 120	Subject CUIC Section 926 and IRC Section 120	Subject CUIC Section 13004	Reportable CUIC Section 13009.5
Health Plans Employer-provided coverage under accident or health plans or medical expense reimbursements.	Exempt CUIC Section 931	Exempt CUIC Section 931	Not subject (subject for 2% shareholder-employees of S corporations) CUIC Section 13009(q)	Not reportable (reportable for 2% shareholder-employees of S corporations) CUIC Section 13009.5
Life Insurance Premiums Paid on Behalf of Employees	Exempt CUIC Section 931(c)	Exempt CUIC Section 931(c)	Not subject if group-term life insurance. CUIC Section 13009(l)	Reportable if face value of group-term life insurance exceeds \$50,000. CUIC Section 13009.5
Lodging	Subject CUIC Section 926 and California Code of Regulations (CCR), Title 22 Sections 926-3, 926-4, and 926-5	Subject CUIC Section 926 and CCR, Title 22 Sections 926-3, 926-4, and 926-5	Subject unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. CCR, Title 22 Section 4309-1(b)(9)	Reportable unless furnished on employer's premises, for the employer's convenience, and as a condition of employment. CUIC Section 13009.5
Meals	Subject CUIC Section 926 and CCR, Title 22 Sections 926-3, 926-4, and 926-5	Subject CUIC Section 926 and CCR, Title 22 Sections 926-3, 926-4, and 926-5	Subject unless furnished for employer's convenience and on employer's premises. CCR, Title 22 Section 4309-1(b)(9)	Reportable unless furnished for employer's convenience and on employer's premises. CUIC Section 13009.5
Moving Expenses: A. Qualified expenses	Exempt if you reasonably believe expenses are deductible by the employee under IRC Section 217. CUIC Section 937	Exempt if you reasonably believe expenses are deductible by the employee under IRC Section 217. CUIC Section 937	Not subject – CUIC Section 13009(m) and IRC Section 217	Not reportable – CUIC Section 13009.5 and IRC Section 217
B. Nonqualified expenses	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13009	Reportable CUIC Section 13009.5

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Noncash Payments: Refer to "Lodging" and "Meals" sections in this table. A. Household employees. For personal income tax wages, refer to <i>Information Sheet: Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers</i> (DE 231PH). B. Services not in the course of employer's trade or business.	Refer to <i>Household Employers' Guide</i> (DE 8829) or <i>Information Sheet: Household Employment</i> (DE 231L). CCR, Title 22 Section 926-3	Refer to <i>Household Employers' Guide</i> (DE 8829) or <i>Information Sheet: Household Employment</i> (DE 231L). CCR, Title 22 Section 926-3	Not subject ³ CUIC Section 13009(b)	Not reportable ³ CUIC Section 13009.5
	Not subject CUIC Section 936	Not subject CUIC Section 936	Not subject CUIC Section 13009(h)	Not reportable CUIC Section 13009.5
Railroad Retirement Tax Act and Railroad Unemployment Insurance Act (payments to employees covered by these acts)	Exempt CUIC Section 635	Exempt CUIC Section 635	Subject CCR, Title 22 Section 4304-1	Reportable CUIC Section 13009.5
Retirement and Pension Plans: ⁵ A. Payments from a qualified plan. ⁶ Refer to <i>Information Sheet: Withholding From Pensions, Annuities, and Certain Other Deferred Income</i> (DE 231P). B. Employee contributions to a qualified cash or deferred compensation plan as defined in IRC Section 401(k). C. Employer contributions to a qualified cash or deferred compensation plan as defined in IRC Section 401(k). D. Employer contributions to a Simplified Employee Plan-Individual Retirement Arrangement (SEP-IRA) as defined in IRC Section 408(k).	Exempt CUIC Section 934	Exempt CUIC Section 934	Subject if employee is a California resident, unless recipient elects exemption from withholding. CUIC Section 13028	Not reportable CUIC Section 13009.5
	Subject CUIC Section 928.5(a)	Subject CUIC Section 928.5(a)	Not subject if payments are not includable in gross income for California income tax purposes. CUIC Section 13009(i)(5)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC Section 13009.5
	Exempt unless the contributions result from a salary reduction agreement. CUIC Section 934	Exempt unless the contributions result from a salary reduction agreement. CUIC Section 934	Not subject if payments are not includable in gross income for California income tax purposes. CUIC Section 13009(i)(1)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC Section 13009.5
	Exempt unless the contributions result from a salary reduction agreement. CUIC Section 934(c)	Exempt unless the contributions result from a salary reduction agreement. CUIC Section 934(c)	Not subject if payments are not includable in gross income for California income tax purposes. CUIC Section 13009(i)(1)	Not reportable if payments are not includable in gross income for California income tax purposes. CUIC Section 13009.5

See page 86 for footnotes

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
E. Employer contributions to a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) as defined in IRC Section 408(p).	Exempt unless the contributions result from a salary reduction agreement. CUI Section 934(d)	Exempt unless the contributions result from a salary reduction agreement. CUI Section 934(d)	Not subject if payments are not includable in gross income for California income tax purposes. CUI Section 13009(i)(2)	Not reportable if payments are not includable in gross income for California income tax purposes. CUI Section 13009.5
F. Employer contributions to a qualified annuity contract as defined in IRC Section 403(a) (applies to IRC Section 501(c)(3) organizations and public school employees).	Exempt CUI Section 934(b)	Exempt CUI Section 934(b)	Not subject CUI Section 13009(i)(2)	Not reportable CUI Section 13009.5
G. Employer contributions to a qualified annuity contract defined in IRC Section 403(b) (applies to IRC Section 501(c)(3) organizations and public school employers).	Exempt unless the contributions result from a salary reduction agreement. CUI Section 934(e)	Exempt unless the contributions result from a salary reduction agreement. CUI Section 934(e)	Not subject CUI Section 13009(i)(2)	Not reportable CUI Section 13009.5
H. Employer contributions under an exempt governmental deferred compensation plan as defined in IRC Section 3121(v)(3).	Exempt CUI Section 934(f)	Exempt CUI Section 934(f)	Not subject CUI Section 13009(q)	Not reportable CUI Section 13009.5
I. Employer contributions to certain nonqualified deferred compensation plans.	Subject at the time services are performed or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later. CUI Section 926	Subject at the time services are performed or when there is no substantial risk of a forfeiture of the right to the amount, whichever is later. CUI Section 926	Subject CUI Section 13009	Reportable CUI Section 13009.5
J. Payments upon death or retirement for disability to employee or his or her dependent made under a plan providing for employees or a class or classes of employees.	Exempt CUI Section 938	Exempt CUI Section 938	Not subject CUI Section 13009(q)	Not reportable CUI Section 13009.5
Salary Advances	Subject at the time the advance is paid, not when it is deducted from future earnings (wage payments). CUI Section 926	Subject at the time the advance is paid, not when it is deducted from future earnings (wage payments). CUI Section 926	Subject at the time the advance is paid, not when it is deducted from future earnings (wage payments). CUI Section 13009	Reportable at the time the advance is paid, not when it is deducted from future earnings (wage payments). CUI Section 13009.5

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance And Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Scholarship Payments, Fellowship Grants, or Tuition Reductions	Exempt if it is reasonable to believe that the benefit is excludable from gross income under IRC Section 117. CUIC Section 938.3(c)	Exempt if it is reasonable to believe that the benefit is excludable from gross income under IRC Section 117. CUIC Section 938.3(c)	Not subject ⁷ if it is reasonable to believe that the benefit is excludable from gross income under IRC Section 117. CUIC Section 13009(q)	Not reportable ⁷ if it is reasonable to believe that the benefit is excludable from gross income under IRC Section 117. CUIC Section 13009.5
Sickness or Injury Payments under:				
A. Workers' Compensation law	Exempt CUIC Section 931(a)	Exempt CUIC Section 931(a)	Not subject CUIC Section 13009(q)	Not reportable CUIC Section 13009.5
B. Employer plans and contracts of insurance	Exempt after the end of six calendar months after the calendar month employee last worked for employer. CUIC Section 933	Exempt after the end of six calendar months after the calendar month employee last worked for employer. CUIC Section 933	Subject to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee. CUIC Section 13009	Reportable to the extent the payments into the plan were made by the employer and were not included in the gross taxable income of the employee. CUIC Section 13009.5
C. Sick pay while employed	Subject CUIC Section 931	Subject CUIC Section 931	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
D. A plan entirely funded by employees	Exempt CUIC Section 926	Exempt CUIC Section 926	Not subject CUIC Section 13009(q)	Not reportable CUIC Section 13009.5
Sick Pay Paid by Third-Party Payers such as insurance companies and trusts: Reporting is the responsibility of the last employer if timely notified by the payer. Refer to <i>Information Sheet: Third-Party Sick Pay</i> (DE 231R). <ul style="list-style-type: none"> Third-party payer notifies the recipient's last employer within 15 days after payment. 	Subject – recipient's employer is responsible for reporting UI and ETT. CUIC Section 931.5	Exempt CUIC Section 931.5	Subject if employee requests withholding by filing form DE 4S with the third-party who is responsible for reporting PIT withholding. CUIC Sections 931.5 and 13028.6	Reportable – recipient's employer is responsible for reporting PIT wages. CUIC Section 13009.5(a)(3)(A)

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
B. Third-party payer does not notify the recipient's last employer within 15 days after payment. Third-party payer is responsible for reporting UI, ETT, any voluntary PIT withholding, and PIT wages.	Subject – third-party payer is responsible for reporting UI and ETT. CUIC Section 931.5	Exempt – neither employer nor third-party payer are required to report. CUIC Section 931.5	Subject if employee requests withholding by filing form DE 4S with the third-party payer. CUIC Sections 931.5 and 13028.6(c)	Reportable – third-party payer is responsible for reporting PIT wages. CUIC Section 13009.5(a)(3)(B)
C. Sick pay paid after the end of six calendar months after the calendar month the employee last worked for the employer and the third-party payer notifies the recipient's last employer within 15 days after payment.	Exempt – neither employer nor third-party payer are required to report. CUIC Section 933	Exempt – neither employer nor third-party payer are required to report. CUIC Section 933	Subject if employee requests withholding by filing form DE 4S with the third-party who is responsible for reporting PIT withholding. CUIC Sections 931.5 and 13028.6(c)	Reportable – recipient's employer is responsible for reporting PIT wages. CUIC Section 13009.5(a)(3)(A)
D. Sick pay paid after the end of six calendar months after the calendar month the employee last worked for the employer and the third-party payer does not notify the recipient's last employer within 15 days after payment.	Exempt – neither employer nor third-party payer are required to report. CUIC Section 933	Exempt – neither employer nor third-party payer are required to report. CUIC Section 933	Subject if employee requests withholding by filing form DE 4S with the third-party payer. CUIC Section 13009	Reportable – third-party payer is responsible for reporting PIT wages. CUIC Section 13009.5(a)(3)(B)
Stock Options: Refer to <i>Information Sheet: Stock Options</i> (DE 231SK)				
A. Incentive Stock Option (ISO):				
• Qualifying Disposition (after minimum holding period)	Not subject CUIC Section 928	Not subject CUIC Section 928	Not subject CUIC Sections 13003(b)(5) and 13009	Not reportable CUIC Section 13009.5
• Disqualifying Disposition	Not subject CUIC Section 928	Not subject CUIC Section 928	Not subject	Reportable when disposed CUIC Section 13009.5
B. Employee Stock Purchase Plan (ESPP):				
• Qualifying Disposition	Not subject CUIC Section 928	Not subject CUIC Section 928	Not subject CUIC Sections 13003(b)(5) and 13009	Not reportable CUIC Section 13009.5
• Disqualifying Disposition	Not subject CUIC Section 928	Not subject CUIC Section 928	Not subject	Reportable when disposed CUIC Section 13009.5

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
C. Nonstatutory Stock Option (NSO): <ul style="list-style-type: none"> With Readily Ascertainable Fair Market Value when granted 	Subject when granted CUIC Section 928	Subject when granted CUIC Section 928	Subject when granted CUIC Sections 13003(b)(5) and 13009	Reportable when granted CUIC Section 13009.5
	Subject when exercised CUIC Section 928	Subject when exercised CUIC Section 928	Subject when exercised CUIC Sections 13003(b)(5) and 13009	Reportable when exercised CUIC Section 13009.5
D. California Qualified Stock Option: <ul style="list-style-type: none"> Defined by R&TC 17502 	Not subject CUIC Section 928	Not subject CUIC Section 928	Not subject	Not reportable CUIC Section 13009.5
	Depends on type of option CUIC Section 928	Depends on type of option CUIC Section 928	Subject when disposed CUIC Sections 13003(b)(5) and 13009	Reportable when disposed CUIC Section 13009.5
Supplemental Unemployment Compensation Plan Benefits paid under an employer's plan	Exempt CUIC Section 1265	Exempt CUIC Section 1265	Subject CCR, Title 22 Section 4309-1(b)(4)	Reportable CUIC Section 13009.5
Tips: Refer to <i>Information Sheet: Tips</i> (DE 231T)				
A. Cash tips which are received by the employee while performing services in employment and which are included in a written statement furnished to the employer.	Subject if \$20 or more in a month. CUIC Section 927 and CCR, Title 22 Section 927-1	Subject if \$20 or more in a month. CUIC Section 927 and CCR, Title 22 Section 927-1	Subject if \$20 or more in a month. CUIC Sections 13009 and 13009(n)(2)	Reportable if \$20 or more in a month. CUIC Section 13009.5
B. Employer controlled tips, such as banquet tips, that are received by the employee from the employer while performing services in employment.	Subject CUIC Section 926	Subject CUIC Section 926	Subject CUIC Section 13009	Reportable CUIC Section 13009.5
C. Noncash tips	Exempt IRC Section 3121(a)(12)(A)	Exempt IRC Section 3121(a)(12)(A)	Not subject CUIC Section 13009(n)(1)	Not reportable CUIC Section 13009.5
Vacation Pay, Sick Pay, and Holiday Pay Only when earned but not paid prior to termination of employment due to a voluntary quit, discharge, or layoff due to lack of work with no specific date to return to work.	Exempt CUIC Sections 1265.5, 1265.6, and 1265.7	Exempt CUIC Sections 1265.5, 1265.6, and 1265.7	Subject CUIC Section 13009	Reportable CUIC Section 13009.5

TYPES OF PAYMENTS

Types of Payment	Treatment for Tax Purposes			
	Unemployment Insurance and Employment Training Tax ¹	State Disability Insurance	Personal Income Tax Withholding	Personal Income Tax Wages
Wage Limit Maximum of taxable wages paid each employee by same employer in same calendar year.	\$7,000 Limit of new owner is reduced by amount of wages paid by predecessor to same employee. Wages paid by other employers are not counted toward the taxable limit. Wage limits are subject to change on an annual basis. CUI Section 930	See Footnote 8 Limit of new owner is reduced by amount of wages paid by predecessor to same employee. Wages paid by other employers are not counted toward the taxable limit. Wage limits are subject to change on an annual basis. CUI Section 985	Unlimited CUI Section 13020	Unlimited CUI Section 13009.5
Worker Adjustment and Retraining Notification (WARN) Act Payments received by an individual from an employer who has failed to provide the advance notice of a facility closure as required by the federal WARN Act.	Not subject CUI Section 1265.1	Not subject CUI Section 1265.1	Subject CUI Section 13009	Reportable CUI Section 13009.5
Workers' Compensation	Exempt CUI Section 931	Exempt CUI Section 931	Not subject CUI Section 13009(q)	Not reportable CUI Section 13009.5

- ¹ Employers who have elected the "cost of benefit reimbursable method" of financing Unemployment Insurance contributions or who have a negative reserve account balance are not required to contribute to the Employment Training Tax fund.
- ² The federal "Economic Growth and Tax Relief Reconciliation Act of 2001" (Public Law 107-16) amended IRC Section 137 to increase the exclusion amounts from gross income relating to adoption assistance programs. However, these payments are subject to California Personal Income Tax (PIT) withholding and reportable for PIT wages until California legislation is enacted to conform to the federal law.
- ³ Subject if employer and employee voluntarily agree to withhold California PIT.
- ⁴ Public Law 107-16 amended IRC Section 132 to exclude from gross income as a fringe benefit qualified retirement planning services. However, this type of payment is subject to California PIT withholding and reportable for PIT wages until California legislation is enacted to conform to the federal law.
- ⁵ Public Law 107-16 amended the IRC to increase the annual elective deferral contribution limits and also allow catch-up elective deferral contributions for individuals age 50 or over under certain pension, annuity, and other deferred compensation plans. The increased amounts are subject to California PIT withholding and reportable for PIT wages until California legislation is enacted to conform to the federal law.
- ⁶ Pension, annuity, and other deferred income distributions reported on Form 1099-R.
- ⁷ Public Law 107-16 amended IRC Section 117 to exclude from gross income as a qualified scholarship payments received under the National Health Services Corps Scholarship Program and F. Edward Herbert Armed Forces Health Professions Scholarship and Financial Assistance Program whether or not the recipient has any service obligation. However, these payments are subject to California PIT withholding and reportable for PIT wages until California legislation is enacted to conform to the federal law.
- ⁸ The maximum taxable wage limit for SDI was not available at the time this guide was published. Please call EDD's 24-hour automated call system at (916) 653-7795 or access our Web site at www.edd.ca.gov/taxrte9x.htm for the SDI wage limit.

CALIFORNIA WITHHOLDING SCHEDULES FOR 2002

Method A and Method B

To review these schedules, please refer to the following Web pages:

Method A – Wage Bracket Table Method: <http://www.edd.ca.gov/02metha.pdf>

Method B – Exact Calculation Method: <http://www.edd.ca.gov/02methb.pdf>

If you have any questions about the operation/programming of Method B for computer software, you may contact:

**Franchise Tax Board
Statistical Research Section
P.O. Box 94280
Sacramento, CA 94240**

Note: For married employees with employed spouses, we recommend that either: single filing status be used to compute withholding amounts for the spouse who earns more income; or additional flat amounts be withheld to avoid underwithholding of personal income tax.

GLOSSARY

Account Number	The eight-digit EDD employer account number assigned to each registered employer (e.g., 111-1111-1). Always refer to your EDD employer account number when communicating with EDD. Omission of your account number may result in delays in processing payments, reporting documents, and correspondence.
Automated Clearing House (ACH)	Any entity that operates as a clearing house for electronic debit or credit transactions pursuant to an agreement with an association that is a member of the National ACH Association.
Base Period	A 12-month period beginning five or six quarters prior to the filing of a Unemployment Insurance (UI) or State Disability Insurance (SDI) claim. The base period is determined by the effective date of the UI or SDI claim.
CUIAB	California Unemployment Insurance Appeals Board
California Unemployment Insurance Code (CUIC)	The laws administering California's UI, Employment Training Tax (ETT), SDI, and California Personal Income Tax (PIT) programs.
Charges	Amounts deducted from an employer's reserve account or amounts reimbursable for State UI benefits paid to former employees.
Claim	<p>An application for UI or SDI benefits.</p> <ul style="list-style-type: none">• UI – The process that establishes a UI benefit year is called a new claim. Weekly certifications for benefits during the benefit year are called continued claims. When payment of continued claims is interrupted during the benefit year (because a claimant returned to work, or withdrew from the labor market for a time), the renewal is called an additional claim or reopened claim.• SDI - The application that establishes an SDI benefit period is called a first claim. Subsequent certifications on that claim are called continued claims. For each separate period of disability, a new (first) claim must be filed.
Claimant	A wage-earner who files a claim for UI or SDI benefits.
Contributions	The CUIC refers to taxes under its provision as "contributions." In this guide, "contributions" are generally referred to as "taxes."
Department	Employment Development Department (EDD)
Deposit	An amount of money sent to EDD with a <i>Payroll Tax Deposit</i> (DE 88) coupon or through EFT for UI, ETT, SDI, and PIT. For more information, please refer to page 38.
Determination	A decision whether or not a claimant is eligible to receive UI or SDI benefits.
Disability Insurance	Benefits paid to eligible California workers experiencing a loss of wages when they are unable to perform their regular or customary work due to pregnancy or an injury or illness not related to their job. Disability insurance, generally referred to as State Disability Insurance (SDI), is funded by taxes withheld from the employee's wages.
Electronic Data Interchange (EDI)	A computer-to-computer exchange of information that allows employers to file their <i>Quarterly Wage and Withholding Report</i> (DE 6) electronically.
Electronic Funds Transfer (EFT)	The term that identifies the type of systems used to transfer payments or funds electronically. The EFT refers to any transfer of funds (other than a transaction originated by check, draft, or similar paper instrument) that is initiated through an electronic terminal, telephone, or other type of telephonic instrument, computer, or magnetic tape. The initiation orders, instructs, or authorizes a financial institution to debit or credit an account.
Employee	A wage-earner in employment covered by the CUIC.

GLOSSARY (cont.)

Employment Taxes	California Personal Income Tax (PIT) and State Disability Insurance (SDI) withholdings, and Unemployment Insurance (UI) and Employment Training Tax (ETT).
Employer Notices	Forms mailed to notify the employer of matters affecting the employer's account.
Employment Training Fund	Provides employers with training funds to train UI claimants, individuals who have exhausted their UI benefits, and potentially displaced workers who would otherwise become UI claimants with specific skills for career advancements and for jobs that have career potential and long-term security.
Employment Training Panel (ETP)	Administers training funds, provided by ETT, to train, place, and retain workers with skills needed by employers. Funds may be used to train and place unemployed individuals or to train and retain current workers who need to strengthen their skills for today's workplace.
ETO	Employment Tax Office
Exempt Employment	Employment specifically excluded from coverage under the CUIIC.
Experience Rating	The system by which an employer's UI contribution rate is determined each calendar year based on previous employment experience.
Good Cause	Circumstances that occur, usually outside the employer's control (e.g., floods, earthquake). When good cause exists for nontimely reporting, the Department will extend the filing date for forms.
Household Employment	Describes "employment of a household nature."
Independent Contractor	An independent contractor (service provider) is any individual who is not an employee of the service-recipient for California purposes and who receives compensation or executes a contract for services performed for that business or government entity in or outside of California.
Initiation Date	The date an EFT filer instructs either a financial institution or the State's data collector to process the transfer of funds. It is completed via telephone or personal computer (PC).
Magnetic Media	Mandatory and voluntary opportunity to magnetically report wages, withholdings, and/or New Employee Registry information. This may include 9-track magnetic media standard ½- inch reels, IBM-compatible 3480/3490 tape cartridges, or 3 ½- or 5 ¼- inch diskettes.
New Employee Registry (NER)	A report of new employees that employers are required to report within 20 days of the start-of-work date (refer to "New Employee Registry" on page 31).
New Employer	California employers are considered new employers for up to three tax years after registering with EDD. During this period, these employers have a UI tax rate of 3.4 percent (.034). New employers also pay ETT and SDI and PIT withholding.
Personal Income Tax (PIT) Wages	All wages paid during the period that are subject to California Personal Income Tax (PIT), even if they are not subject to PIT withholding. The PIT wages consist of all compensation for service by an employee for his or her employer and include, but are not limited to salaries, fees, bonuses, commissions, and payments in forms other than cash or checks. Wages in any form other than cash or checks are measured by the fair market value of the goods, lodging, meals, or other compensation given in payment for the employee's services. The calendar year total for PIT wages should agree with the amount reported on the individual's <i>Wage and Tax Statement</i> (Form W-2), in Box 16 (State Wages, Tips, etc.).
Predecessor	A previous owner, registered as a subject employer.

GLOSSARY (cont.)

Prepayments (UI and ETT)	Taxes that are not due until the end of a quarter that an employer voluntarily sends to EDD during a quarter for UI and ETT.
Reimbursable Employer	A nonprofit or public entity employer who is permitted by the CUIC to be billed for UI benefits after they are paid to former employees. A reimbursable employer cannot receive a ruling relieving the employer of UI benefit charges.
Reserve Account	A book account kept for each tax-rated employer to measure employment experience and set the employers Unemployment Insurance contribution rate.
Ruling on Benefit Claim	For tax-rated employers, a ruling is the Department's decision whether or not an employer's reserve account will be charged for UI benefits. The ruling is based on the reason for separation.
Ruling on Tax Question	A decision, in writing, as to an employer's subject status or tax liability in the stated circumstances.
Service-Provider	A service-provider (independent contractor) is any individual who is not an employee of the service-recipient for California purposes and who receives compensation or executes a contract for services performed for that business or government entity in or outside of California.
Service-Recipient	A service-recipient is any business or government entity that, for California purposes, pays compensation to an independent contractor (service provider) or executes a contract for services to be performed by an independent contractor in or outside of California.
Settlement Date	The date of an exchange of funds, with respect to a transaction, is reflected on the books of the Federal Reserve Bank and the State's bank account.
SSN	Also known as social security number. All employee wage records and claim actions are filed under this number, rather than by name.
State	State of California
State Disability Insurance (SDI)	Wage loss benefits paid to California workers who are unable to perform their regular or customary work due to pregnancy or an injury or illness not related to their job. The SDI program is funded by taxes withhold from employee's wages.
Subject Employer	An employer who is liable under the rules and regulations of the CUIC.
Subject Quarter	Calendar quarter when an employer first meets the requirements for reporting their payroll taxes.
Subject Wages	Subject wages are used to determine UI and SDI benefits. Generally, all wages are considered subject wages regardless of the \$7,000 UI and \$46,327 SDI taxable wage limits. For special classes of employment and payments that may not be considered subject wages, refer to the "Types of Employment" table on page 67 and "Types of Payments" table on page 77.
Successor	A change in ownership, or a new ownership of a business already registered as an employer. A new registration is required for either.
Tax-Rated Employer	An employer who is required by the CUIC to register with EDD and pay UI taxes each year on the first \$7,000 of wages paid to each of their employees.
Taxable Wage Limits	The taxable wage limit for UI and ETT is \$7,000 per employee, per year. The SDI tax rate for 2002 was not available at the time this guide was published. Please call EDD's 24-hour Automated Call System at (916) 653-7795 or access our website at www.edd.ca.gov/taxrte9x.htm for the SDI tax rate.

GLOSSARY (cont.)

Taxable Wages	Compensation paid for "covered employment" up to the taxable wage limits for the year. Compensation includes wages and allowances such as meals, lodging, and other payments in lieu of money for services rendered in employment. California PIT treatment may differ.
Tax Telefile	An interactive voice recognition system designed especially for household employers and other employers with a small number of employees. Employers or their agents can use tax telefile to report and pay payroll taxes electronically by telephone.
Unemployment Insurance (UI)	Benefits paid to California workers who are unemployed. Recipients must meet the qualifications for benefits as outlined by the CUIIC.
UI and ETT Prepayment	Taxes that are not due until the end of a quarter that an employer voluntarily sends to EDD during a quarter for UI and ETT.
Voluntary DI Plan	Disability insurance (DI) provided by a private plan rather than under the State Plan. For private plan coverage, an employer must file an application that must be approved by EDD before it can become effective.
Voluntary UI Payments	Under a program established by the California State Legislature, qualified employers are permitted to make a payment to their UI reserve account to reduce their UI tax rate. This program is in effect when the UI rate schedule is AA through D. An employer who chooses to participate in this program cannot receive a refund of money paid even if the amount does not result in a reduction of the employer's UI tax rate.
Wage Detail	<i>Quarterly Wage and Withholding Report</i> (DE 6) must be filed each quarter listing employee(s) name, Social Security number, wages PIT wages, and PIT withholding.
WARN Act	Worker Adjustment and Retraining Notification (WARN) Act (Public Law 100-379), enacted August 4, 1988, requires employers with 100 or more employees to give sixty (60) days advance notice in the event of a plant closure or mass layoff.

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Requisition for EDD Forms and Publications

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Guides and Brochures			
____ DE 44 ____ DE 45 ____ DE 159 ____ DE 195 ____ DE 195/S/ ____ DE 542B ____ DE 573 ____ DE 573/S/ ____ DE 573CA ____ DE 1378F ____ DE 2320 ____ DE 2320/S	California Employer's Guide Completed Form Samples Book Magnetic Media Brochure Employers' Bill of Rights Employers' Bill of Rights (Spanish) Report of New Hires and Independent Contractors Brochure Avoid Unplanned Tax Liabilities Avoid Unplanned Tax Liabilities (Spanish) Cash Under the Table Brochure Potential Liability (Reimbursable Employers) For Your Benefit, UI For Your Benefit, UI (Spanish)	____ DE 2323A ____ DE 2323A/S/ ____ DE 2323TTY ____ DE 2515 ____ DE 2515/S/ ____ DE 2565 ____ DE 8684 ____ DE 8714CC ____ DE 8829	File Unemployment Claim By Telephone File Unemployment Claim by Telephone (Spanish) TCF/TTY Brochure (File Unemployment Claim by TTY) State Disability Insurance State Disability Insurance (Spanish) DI Elective Coverage Guide for Work Sharing Employers Disability Elective Coverage Fact Sheet Household Employer's Guide
Notices			
____ DE 35 ____ DE 1257	Notice to Employees Regarding DE 4/W-4 Notice to Employees of "Temporary Services" or "Leasing" Employers	____ DE 1857A ____ DE 1857A/S/	Notice to Employees Notice to Employees (Spanish)

State of California
Employment Development Department
1733W Sports Drive, Suite B
Sacramento, CA 95834

State of California
Employment Development Department
1733W Sports Drive, Suite B
Sacramento, CA 95834

(Please Print or Type)

ATTN:

COMPANY NAME:

STREET

CITY

STATE

ZIP

(Please Print or Type)

ATTN:

COMPANY NAME:

STREET

CITY

STATE

ZIP

Instructions for Ordering Forms and Publications

You may obtain EDD forms by any of the methods listed below. We suggest that you order no more than a six-month supply since overstocking may result in using obsolete forms.

Telephone: Ordering 25 forms or more - **(916) 322-2835** (24-hour automated system)
Ordering less than 25 forms - Please contact the Employment Tax Call Center at (888) 745-3886.

Fax: **(916) 928-5910** (fax a copy of this requisition form)

Mail: **Employment Development Department
1733W Sports Drive, Suite B
Sacramento, CA 95834**

A new requisition form will be sent to you with each shipment of forms and/or publications.

Internet address: **www.edd.ca.gov/taxform.htm**

Most frequently used forms are available on the Internet.

Note: Please indicate the quantity requested on the line preceding the form number if you fax or mail your order form.

The *Payroll Tax Deposit* (DE 88) must be reordered using the form enclosed in your DE 88 booklet. If you have not received a DE 88 booklet, contact the Employment Tax Call Center at (888) 745-3886.

The *First Claim for Disability Insurance* (DE 2501) must be ordered from your nearest State Disability Insurance Office by calling (800) 480-3287.

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Tax Branch Information Sheets			
___ DE 231	Employment	___ DE 231PIT	Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report (DE 6)
___ DE 231A	Wages	___ DE 231PS	Personal Income Tax Withholding - Supplemental Wage Payments, Moving Expense Reimbursement
___ DE 231AA	Amateur Athletic Officials	___ DE 231PT	Physical Therapists
___ DE 231B	Automotive Repair Industry	___ DE 231Q	Social Security/Medicare/SDI Taxes Paid By Employer
___ DE 231C	Cosmetologists	___ DE 231R	Third-Party Sick Pay
___ DE 231CF	Commercial Fishing	___ DE 231SC	Specialized Coverage (Elective Coverage for Exempt Workers)
___ DE 231D	Multi-state Employment	___ DE 231SE	Statutory Employees (Agent/Commission Drivers, Traveling/City Salespersons, Construction Workers, Homeworkers, Artists, and Authors)
___ DE 231E	Restaurant and Hotel Industries	___ DE 231SEF	Employment for the School Employees Fund
___ DE 231EB	Taxability of Employee Benefits	___ DE 231SK	Stock Options
___ DE 231EC	Elective Coverage for Employers and Self-Employed Individuals	___ DE 231SP	Settlements Program
___ DE 231EE	Exempt Employment	___ DE 231T	Tips
___ DE 231ES	Employment Work Status Determination	___ DE 231TA	Employment Tax Audit Process
___ DE 231ETC	Employment Tax Consulting	___ DE 231TC	Taxicab Industry
___ DE 231F	Temporary Services and Employee Leasing Industries	___ DE 231TM	Telemarketing
___ DE 231FAM	Family Employment	___ DE 231TR	Tour Operator Industry
___ DE 231FE	Foreign Employment and Employment on American Vessels or Aircraft	___ DE 231UE	Unity of Enterprise
___ DE 231G	Construction Industry	___ DE 231V	Election Campaign Workers
___ DE 231H	Manufacturing Industry	___ DE 231W	How to Reduce Your Personal Income Tax Liability
___ DE 231I	Services Industry	___ DE 231Y	Reporting New Employee Hiring and Independent Contractors
___ DE 231J	Waiver of Penalty Policy	___ DE 231Z	California System of Experience Rating
___ DE 231K	Casual Labor	___ DE 631	Employment Enforcement Task Force
___ DE 231L	Household Employment	___ DE 631C	Offers in Compromise
___ DE 231M	Residential Care Facilities	___ DE 631P	Payment Proposal
___ DE 231MW	Reporting and Payment Following Assessment For Misclassified Workers	___ DE 631R	Interest on Refunds
___ DE 231N	Salespersons	___ DE 631TL	State Tax Lien
___ DE 231NP	Nonprofit and/or Public Entities		
___ DE 231P	Withholding from Pensions, Annuities, and Certain Other Deferred Income		
___ DE 231PC	Payments to Corporate Officers		
___ DE 231PD	Product Demonstrators		
___ DE 231PH	Personal Income Tax Wages Reported on the Quarterly Report of Wages and Withholdings for Employers of Household Workers (DE 3B HW)		

State of California
Employment Development Department
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Instructions For Ordering Forms and Publications

You may obtain EDD forms by any of the methods listed below. We suggest that you order no more than a six-month supply since overstocking may result in using obsolete forms.

Telephone: Ordering 25 forms or more - **(916) 322-2835** (24-hour automated system)
Ordering less than 25 forms - Please contact the Employment Tax Call Center at (888) 745-3886.

Fax: **(916) 928-5910** (fax a copy of this requisition form)

Mail: **Employment Development Department
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